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Dairy Farm Business Summary

1985

1985

NOVA SCOTIA DAIRY FARM

BUSINESS SUMMARY REPORT

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PREFACE

The 1985 Nova Scotia Dairy Farm Business Summary is a synopsis of the business performance of one hundred and forty-two (142) Nova Scotia Dairy Farms. The majority of these farms participated in the CanFarm Records Program in 1985.

The farms used in this summary were not selected on a random sample basis. Instead, farmers volunteered to have their data included in the summary. Hence, care should be exercised in the use and interpretation of the results shown in the various tables of this publication.

Despite this limitation, this publication can be used by farmers to compare their individual results with group average figures for farms with similiar characteristics. Such comparison can provide the farm manager with useful information that can be used in management decisions. However, the best information is the farmers own records and comparison of these from year to year.

The co-operation of the one hundred and forty-two (142) dairy producers who participated in this summary is gratefully acknowledged. Without their co-operation and data, no summary would be possible.

I would also like to acknowledge several individuals who contributed significantly to this publication: Debbie Freeman, who collected and prepared the data; Shelly Manning, Alan Grant, and Jim Houghton, who assisted with data collection; and Tracey Mitchell who preformed the secretarial duties.

The author accepts full responsibility for any errors or omissions which may appear in the final version.

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Section A

Introduction

INTRODUCTION

The Nova Scotia Dairy Farm Business Summary is designed to provide bench-mark information that can be used to compare the financial strength and weakness of individual dairy farms with similiar characteristics. Farm Business Analysis is an important function of the farm manager-operator. When analysing the farm business, you must ask meaningful questions regarding the costs, incomes, efficiencies and capital investment found in your business. This summary is designed to assist you with those questions and to provide you with basic information for comparison purposes. By identifying the strengths of your business and building on these, you should be able to enhance the profit picture of your farm business. By identifying the weaknesses of your business and taking corrective action, the profit picture should also be improved.

Standards of performance and business progress are matters of personal choice and family goal setting. Each farm situation will have a different set of goals or objectives - a different set of values that you feel must be met through the farm business. It is for each of you to identify these and then compare your performance in achieving these objectives.

There are several ways that you can compare your farm performance. These include:

- You can compare your performance this year to that of last year. This perhaps is the best comparison. Have you progressed in reaching the goals you have set for your farm business.

- You can compare your performance with group average data for farms of similiar size and general characteristics. This report may be useful in this regard.

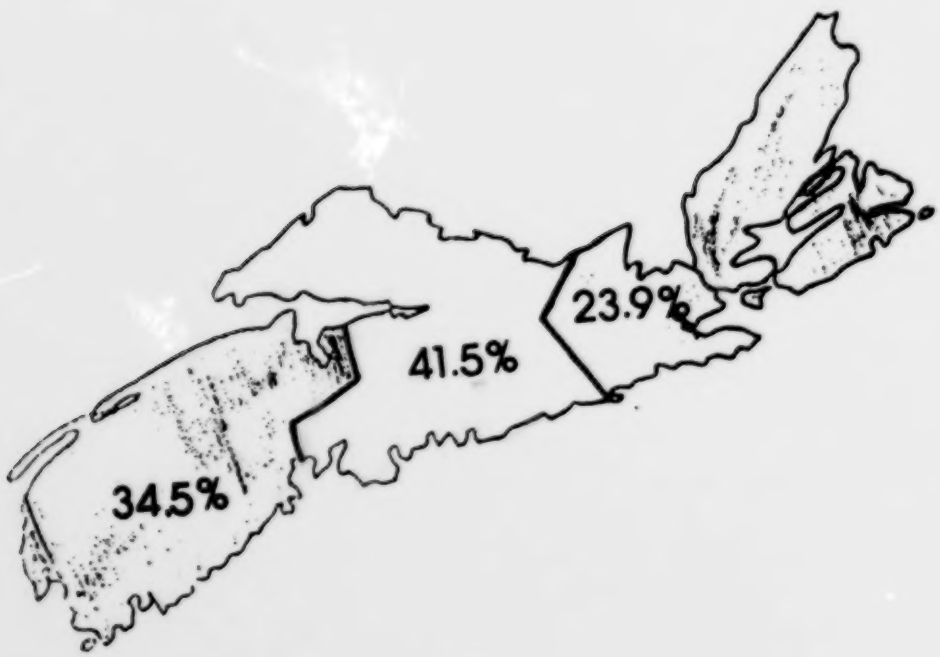
- You can compare your performance to that found by research - realizing that the research data was obtained under a special set of conditions.

In 1984, there were a total of 629 fluid milk producers in Nova Scotia. Basic data for this summary was prepared from 142 of these farms located throughout Nova Scotia. These 142 farms represent 22.6 percent of the total number of fluid milk farms in the province.

In terms of production, these farms included in the summary produced 51,439,642 litres of milk for sale. The total milk produced by fluid milk farmers in the province was 169,977,160 litres. Hence, in terms of production, farms included in this summary produced 30.3 percent of the milk produced by fluid milk farms in Nova Scotia.

Figure A-1 provides information on the distribution of these one hundred and forty-two (142) farms relative to their location in the province. A description of the counties contained in each region can be found following figure A-1.

FIGURE A-1:DISTRIBUTION OF 142 DAIRY FARMS BY REGION WITHIN NOVA SCOTIA



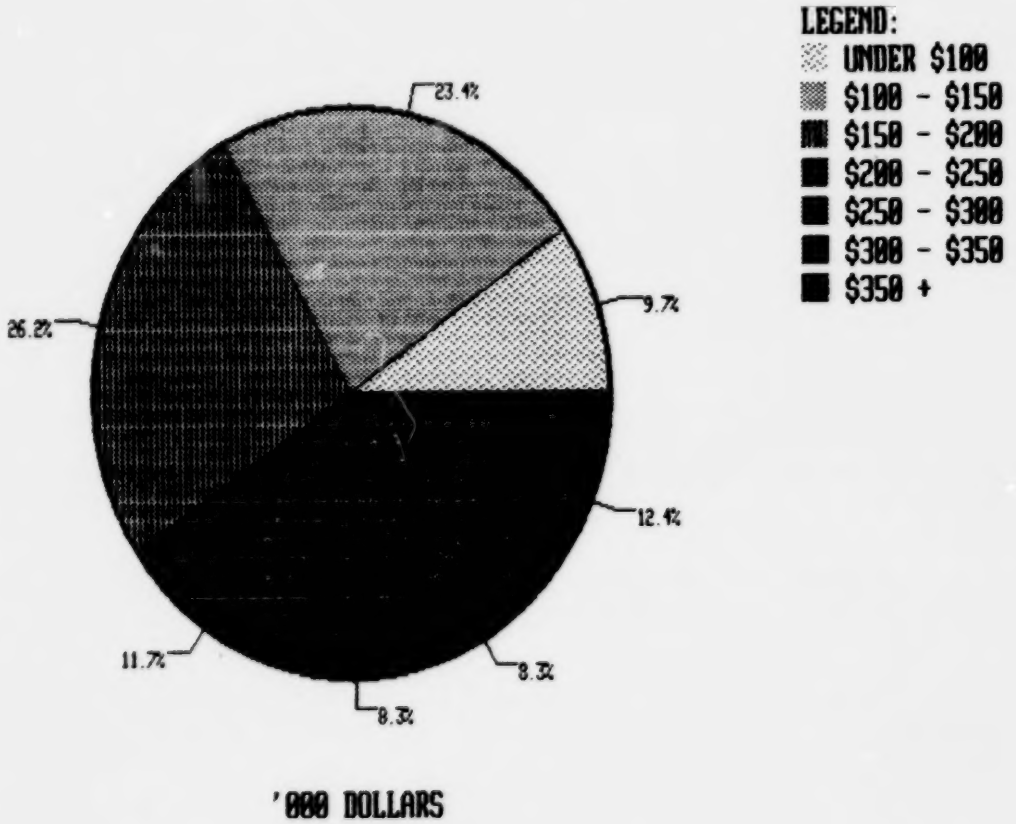
Central Region: Represents dairy farms from Colchester, Cumberland, East Hants, Halifax and Pictou Counties.

Eastern Region: Represents dairy farms from Antigonish, Cape Breton, Inverness and Victoria Counties.

Western Region: Represents dairy farms from Annapolis, Kings, Lunenburg, West Hants and Yarmouth Counties.

Figure A-2 provides information on the distribution of these one hundred and forty-two (142) dairy farms relative to the size of the business measured in terms of Gross Farm Income.

FIGURE A-2: DISTRIBUTION OF 142 DAIRY FARMS BY GROSS FARM INCOME



The one hundred and forty-two (142) dairy farms in the summary were classified into four (4) groups according to herd size. These groups were (1) 20-39 Cows; (2) 40-59 Cows; (3) 60-99 Cows; and (4) 100 plus Cows. The basic format for the presentation of the information in this summary is as follows for sections "B" through "F".

1. Receipts
2. Expenses
3. Income Summary
4. Net Cost of Production
5. Production Analysis
6. Balance Sheet
7. Balance Sheet Analysis
8. Labour Analysis
9. Analysis of Expenses
10. Receipts and Expenses Summary

Sections "G" through "I" provide additional information on the one hundred and forty-two (142) dairy farms by reclassifying these farms on the basis of Net Farm Income, Production and Investment Levels per cow.

Sections "J" provides a summary of various production and management factors found throughout this summary.

The Appendix contains comparison figures for the total group based on a per farm, per cow, per hectolitre, per hundredweight and percentage analysis basis. In addition, a Glossary of Terms used in the summary is provided.

Throughout the analysis, several assumptions were made and used that should be noted. These include:

(a) Tax depreciation was used in place of management depreciation. This may result in a slightly "higher than normal" depreciation figure in this summary.

(b) Operator labour value must be considered minimal. The value chosen was the 1984 figure plus 4 percent in all size groups.

(c) Investment figures used were farmers book values. These may or may not represent cost. They may or may not represent market value. Rather, some mixture of the two concepts may be more representative in many instances.

(d) Interest on equity was calculated using a 10 percent interest rate.

Given the above explanatory notes, the basic data was then prepared. Throughout the summary, per farm and per cow figures are presented.

Section B

Unit Size

20·39 cows

RECEIPTS

Farms in this size range had receipts from milk and milk subsidy of $ 90,161. or $ 2,757. on a per cow basis. This amount accounted for 87.0 percent of Total Farm Receipts. Of this amount, fluid milk represented 74.8 percent, manufactured milk 21.9 percent and milk subsidy 3.4 percent.

Livestock sales averaged 6.7 percent of Total Farm Receipts, while Crop Sales were 0.5 percent and Miscellaneous Sales were 5.7 percent.

Total Farm Receipts averaged $ 103,586. per farm or $ 3,168. on a per cow basis.

TABLE B-1: RECEIPTS

ITEM	PER FARM	PER COW
Fluid Milk Sales	$ 67,408.	$ 2,062.
Manufactured Milk Sales	19,705.	603.
Milk Subsidy	3,048.	93.
Livestock Sales	6,972.	213.
Crop Sales	506.	15.
Miscellaneous Sales	5,947.	182.
TOTAL FARM RECEIPTS	$ 103,586.	$ 3,168.

EXPENSES

Total Cash Expenses for farms in this group averaged $ 83,707. per farm or $ 2,560. per cow. Purchased dairy feed was the largest expense item and accounted for 28.5 percent of this total.

Other major expenses were; interest at 12.4 percent, hired labour at 6.7 percent, crop expenses at 6.4 percent, tractor and machinery expense at 7.2 percent, and miscellaneous at 7.4 percent.

TABLE B-2: EXPENSES

ITEM	PER FARM	PER COW
Milk Hauling	$ 2,937.	$ 90.
Dairy Feed	23,862.	730.
Livestock Purchases	2,628.	80.
Vet & Drugs	933.	29.
Breeding	1,199.	37.
Dairy Supplies	2,361.	72.
Milk Marketing	5,082.	155.
Crop Expense	5,392.	165.
Building & Fence Repair	2,378.	73.
Utilities	3,716.	114.
Tractor & Machinery Expense	6,013.	184.
Truck & Auto	2,428.	74.
Interest	10,358.	317.
Hired Labour	5,646.	173.
Taxes	901.	28.
Insurance	1,673.	51.
Miscellaneous	6,201.	190.
TOTAL CASH EXPENSES	$ 83,707.	$ 2,560.

Income Summary

When analyzing a farm business, a number of different measures of income are often used to assess the financial strength of the business. Three (3) of these measures are:

NET CASH INCOME is the difference between Total Farm Receipts and Total Cash Expenses. For this group of farms, Net Cash Income was $ 19,878. per farm or $ 608. per cow.

NET FARM INCOME adjusts Net Cash Income for Inventory Change and Depreciation. Net Farm Income represents the return to the operator for his labour, management and capital. For this group, Net Farm Income was $ 9,651. per farm or $ 295. on a per cow basis.

LABOUR AND MANAGEMENT INCOME represents the amount of income left for the operator for his labour and management skills. For this group, Labour and Management Income was $ 2,807. per farm or $ 86. per cow.

TABLE B-3: INCOME SUMMARY

ITEM	PER FARM	PER COW
Total Farm Receipts	$ 103,586.	$ 3,168.
Total Cash Receipts	83,707.	2,560.
NET CASH INCOME	$ 19,878.	$ 608.
Plus: Inventory Change	$ 1,416.	$ 43.
Less: Depreciation	11,643.	356.
NET FARM INCOME	$ 9,651.	$ 295.
Less: Unpaid Family Labour	$ 411.	$ 13.
Interest on Equity @10%	6,433.	197.
LABOUR AND MANAGEMENT INCOME	$ 2,807.	$ 86.

NET COST OF PRODUCTION

The Net Cost of Producing Milk for this group of farms was $ 98,180. per farm or $ 3,003. per cow. On a per hectolitre of milk sold basis, this cost was $ 54.35. The return from the sale of milk averaged $ 49.91 leaving a net return over costs of $ -4.44 per hectolitre.

Note that all costs, including a value for Operator Labour have been included in this calculation. If Operator Labour was excluded, the Net Cost would have been $ 48.36, leaving a Net Return of $ 1.55 . This then would be the return to Operator Labour.

TABLE B-4: NET COST OF PRODUCTION

ITEM		PER FARM	PER COW
Total Cash Expenses		$ 83,707.	$ 2,560.
Plus: Depreciation		11,643.	356.
Inventory Change		-1,416.	-43.
Interest on Equity @ 10%		6,433.	197.
Unpaid Family Labour		411.	13.
Operator Labour		10,827.	331.
Less: Sales (Excl. Milk)		13,425.	411.
NET COST OF PRODUCING MILK		$ 98,180.	$ 3,003.
Number of Cows	(#)	33	1
Total Litres of Milk Sold	(L)	180,640	5,525
Price Received per HL	($)	49.91	49.91
Cost of Producing Milk/HL	($)	54.35	54.35
NET RETURN PER HL	($)	-4.44	-4.44

PRODUCTION ANALYSIS

Total milk sales averaged 180,640 litres per farm. For farms in this group, 33 cows per farm was the average with milk sold per cow standing at 5,525 litres.

Fluid milk represented 70.4 percent of the volume of milk sold, while in dollar terms, fluid milk accounted for 74.8 percent of milk sales. Average blend price for all milk was $ 49.91 per hectolitre.

Purchased feed averaged $ 730. per cow or $ 13.21 per hectolitre of milk sold. These dollars represented 2,673 kilograms of feed per cow consumed.

TABLE B-5: PRODUCTION ANALYSIS

ITEM		PER FARM	PER COW
Number of Cows	(#)	33	1
Total Litres of Milk Sold	(L)	180,640	5,525
Value of Milk Sold	($)	90,161	2,757
Price Received per HL Milk	($)	49.91	49.91
Fluid Milk (L's as % of Total Milk)	(%)	70.4	70.4
Fluid Milk ($'s as % of Total Milk)	($)	74.8	74.8
Cost of Dairy Feed	($)	23,862	730
Feed Cost per HL Milk Sold	($)	13.21	13.21
Feed Cost as % of Total Cost	(%)	25.0	25.0
Feed Cost as % of Milk Cost	(%)	26.5	26.5
Kilograms of Feed/HL Milk	(Kgs)	48.39	48.39
Kilograms of Feed	(Kgs)	85,543	2,673
Pounds of Feed	(Lbs)	188,194	5,881

BALANCE SHEET

The Balance Sheet represents a picture of the financial position of a business at a particular point in time. The Balance Sheet is composed of three (3) main parts, namely:

ASSETS are items of value owned by the business.

LIABILITIES are debts owed by the business to others.

EQUITY OR NET WORTH is the difference between assets and liabilities and represents the owners capital investment in the business.

For this group of farms, assets amounted to $ 185,882. per farm or $ 5,685. per cow. Liabilities averaged $ 121,552. per farm and $ 3,718. on a per cow basis. Equity or Net Worth - the difference between assets and liabilities was $ 64,330. per farm or $ 1,967. per cow.

TABLE B-6: BALANCE SHEET

ITEM	PER FARM	PER COW
ASSETS:		
Inventory Value - Land	$ 34,110.	$ 1,043.
" " - Buildings	36,521.	1,117.
" " - Machinery	32,676.	999.
" " - Livestock	39,527.	1,209.
" " - Crops & Supp	7,223.	221.
" " - Milk Quota	23,148.	708.
" " - Acct's Rec'able	12,678.	388.
" " - Other	0.	0.
TOTAL INVENTORY VALUE - ASSETS	$ 185,882.	$ 5,685.
LIABILITIES:		
Short Term	$ 7,604.	$ 233.
Intermediate Term	14,589.	446.
Long Term	99,358.	3,039.
TOTAL LIABILITIES	$ 121,552.	$ 3,718.
EQUITY OR NET WORTH	$ 64,330.	$ 1,967.

BALANCE SHEET ANALYSIS

For farms in this size group, equity in the farm business averaged 34.61 percent. Farms received no return to equity capital and a return to invested capital of 4.72 percent.

Capital Turnover averaged 1.77 years.

Total Assets to Total Liabilities ratic was $ 1.53 - for every dollar of debt there were $ 1.53 of assets.

Net Income as a percent of Gross Farm Income averaged 9.19 percent for this group of farms.

TABLE B-7: BALANCE SHEET ANALYSIS

ITEM		PER FARM
Equity in Farm Business	(%)	34.61
Return on Equity	(%)	.00
Return on Invested Capital	(%)	4.72
Capital Turnover	(Yrs)	1.77
Current Assets/Current Liabilities	($)	7.81
Total Assets/Total Liabilities	($)	1.53
Total Liabilities/Equity	($)	1.89
Net Income/Gross Income	(%)	9.19

LABOUR ANALYSIS

The labour complement on farms in this size range averaged 1.62 man equivalents; composed of 1.13 operator and unpaid family labour and .49 hired man equivalents.

For each man equivalent, 20 cows were maintained with 111,320 litres of milk sold at a value of $ 55,562.

Labour Income per man equivalent averaged $ 2,847.

TABLE B-8: LABOUR ANALYSIS

ITEM		PER FARM
Number of Cows	(#)	33
Operator & Family Man Equivalents	(#)	1.13
Hired Man Equivalents	(#)	.49
Total Man Equivalents	(#)	1.62
Cows per Man Equivalent	(#)	20
Milk Sold per Man Equilivent	(L)	111,320
Milk Sold per Man Equivalent	($)	55,562
Labour Income Per Man Equivalent Operator & Unpaid Family	($)	2,847

ANALYSIS OF EXPENSES

Purchased Dairy Feed was the largest expense item and accounted for 25.0 percent of Total Expenses. Other major expenses were; depreciation at 12.2 percent, interest at 10.9 percent, hired labour at 5.9 percent, crop expenses at 5.7 percent, tractor and machinery at 6.3 percent and miscellaneous at 6.5 percent of Total Expenses.

TABLE B-9: ANALYSIS OF EXPENSES

ITEM	PER COW	PERCENTAGE
Milk Hauling	$ 90.	3.1%
Dairy Feed	730.	25.0
Livestock Purchased	80.	2.8
Vet & Drugs	29.	1.0
Breeding	37.	1.3
Dairy Supplies	72.	2.5
Milk Marketing	155.	5.3
Crop Expenses	165.	5.7
Building & Fence Repairs	73.	2.5
Utilities	114.	3.9
Tractor & Machinery Expenses	184.	6.3
Truck & Auto Expenses	74.	2.5
Interest	317.	10.9
Hired Labour	173.	5.9
Taxes	28.	.9
Insurance	51.	1.8
Miscellaneous	190.	6.5
Depreciation	356.	12.2
TOTAL EXPENSES	$ 2,916.	100.0%

RECEIPTS AND EXPENSES SUMMARY

Information supplied in this section summarizes receipts and expenses for this group of farms on a per cow, per hectolitre and a per hundredweight milk sold basis.

TABLE B-10: RECEIPTS AND EXPENSES SUMMARY

ITEM	PER COW	PER 100 LITRES	PER CWT.
RECEIPTS:			
Fluid Milk	$ 2,062.	$ 37.32	$ 16.44
Manufactured Milk	603.	10.91	4.81
Milk Subsidies	93.	1.69	.74
Livestock Sales	213.	3.86	1.70
Crop Sales	15.	.28	.12
Miscellaneous Sales	182.	3.29	1.45
TOTAL CASH RECEIPTS	$ 3,168.	$ 57.34	$ 25.26
Adj. for Inventory Change	$ 43.	$ .78	$ .35
TOTAL FARM RECEIPTS	$ 3,211.	$ 58.13	$ 25.61
EXPENSES:			
Milk Hauling	$ 90.	$ 1.63	$ .72
Dairy Feed	730.	13.21	5.82
Livestock Purchases	80.	1.45	.64
Vet & Drugs	29.	.52	.23
Breeding	37.	.66	.29
Dairy Supplies	72.	1.31	.58
Milk Marketing	155.	2.81	1.24
Crop Expenses	165.	2.98	1.31
Building & Fence Repair	73.	1.32	.58
Utilities	114.	2.06	.91
Tractor & Machinery Repair	184.	3.33	1.47
Truck & Auto Expense	74.	1.34	.59
Interest	317.	5.73	2.53
Hired Labour	173.	3.13	1.38
Taxes	28.	.50	.22
Insurance	51.	.93	.41
Miscellaneous	190.	3.43	1.51
TOTAL CASH EXPENSES	$ 2,560.	$ 46.34	$ 20.41
Building Depreciation	$ 90.	$ 1.64	$ .72
Machinery Depreciation	266.	4.81	.72
TOTAL DEPRECIATION	$ 356.	$ 6.45	$ 2.84
TOTAL FARM EXPENSES	$ 2,916.	$ 52.79	$ 23.25
NET FARM INCOME	$ 295.	$ 5.34	$ 2.35

Section C

Unit Size

40·59 cows

RECEIPTS

Farms in this size range had receipts from milk and milk subsidy of $ 138,532. or $ 2,787. on a per cow basis. This amount accounted for 84.4 percent of Total Farm Receipts. Of this amount, fluid milk represented 72.4 percent, manufactured milk 24.0 percent and milk subsidy 3.6 percent.

Livestock sales averaged 7.2 percent of Total Farm Receipts, while Crop Sales were 1.6 percent and Miscellaneous Sales were 6.8 percent.

Total Farm Receipts averaged $ 164,080. per farm or $ 3,301. on a per cow basis.

TABLE C-1: RECEIPTS

ITEM	PER FARM	PER COW
Fluid Milk Sales	$ 100,304.	$ 2,018.
Manufactured Milk Sales	33,242.	669.
Milk Subsidy	4,986.	100.
Livestock Sales	11,748.	236.
Crop Sales	2,650.	53.
Miscellaneous Sales	11,150.	224.
TOTAL FARM RECEIPTS	$ 164,080.	$ 3,301.

EXPENSES

Total Cash Expenses for farms in this group averaged $ 129,355. per farm or $ 2,602. per cow. Purchased dairy feed was the largest expense item and accounted for 30.4 percent of this total.

Other major expenses were; interest at 10.9 percent, hired labour at 9.3 percent, crop expenses at 6.9 percent, tractor and machinery expense at 7.1 percent, milk marketing at 6.4 percent, and miscellaneous at 5.8 percent.

TABLE C-2: EXPENSES

ITEM	PER FARM	PER COW
Milk Hauling	$ 4,834.	$ 97.
Dairy Feed	39,364.	792.
Livestock Purchases	3,425.	69.
Vet & Drugs	1,837.	37.
Breeding	2,205.	44.
Dairy Supplies	3,778.	76.
Milk Marketing	8,228.	166.
Crop Expense	8,946.	180.
Building & Fence Repair	3,145.	63.
Utilities	4,969.	100.
Tractor & Machinery Expense	9,195.	185.
Truck & Auto	2,760.	56.
Interest	14,037.	282.
Hired Labour	12,025.	242.
Taxes	984.	20.
Insurance	2,121.	43.
Miscellaneous	7,503.	151.
TOTAL CASH EXPENSES	$ 129,355.	$ 2,602.

Income Summary

When analyzing a farm business, a number of different measures of income are often used to assess the financial strength of the business. Three (3) of these measures are:

NET CASH INCOME is the difference between Total Farm Receipts and Total Cash Expenses. For this group of farms, Net Cash Income was $ 34,725. per farm or $ 699. per cow.

NET FARM INCOME adjusts Net Cash Income for Inventory Change and Depreciation. Net Farm Income represents the return to the operator for his labour, management and capital. For this group, Net Farm Income was $ 19,835. per farm or $ 399 on a per cow basis.

LABOUR AND MANAGEMENT INCOME represents the amount of income left for the operator for his labour and management skills. For this group, Labour and Management Income was $ 9,099. per farm or $ 183. per cow.

TABLE C-3: INCOME SUMMARY

ITEM	PER FARM	PER COW
Total Farm Receipts	$ 164,080.	$ 3,301.
Total Cash Receipts	129,355.	2,602.
NET CASH INCOME	$ 34,725.	$ 699.
Plus: Inventory Change	$ 1,935.	$ 39.
Less: Depreciation	16,826.	338.
NET FARM INCOME	$ 19,835.	$ 399.
Less: Unpaid Family Labour	$ 620.	$ 12.
Interest on Equity @10%	10,116.	203.
LABOUR AND MANAGEMENT INCOME	$ 9,099.	$ 183.

NET COST OF PRODUCTION

The Net Cost of Producing Milk for this group of farms was $ 143,796. per farm or $ 2,893. per cow. On a per hectolitre of milk sold basis, this cost was $ 51.51. The return from the sale of milk averaged $ 49.63 leaving a net return over costs of $ -1.89 per hectolitre.

Note that all costs, including a value for Operator Labour have been included in this calculation. If Operator Labour was excluded, the Net Cost would have been $ 46.37, leaving a Net Return of $ 3.26. This then would be the return to Operator Labour.

TABLE C-4: NET COST OF PRODUCTION

ITEM		PER FARM	PER COW
Total Cash Expenses		$ 129,355.	$ 2,602.
Plus: Depreciation		16,826.	338.
Inventory Change		-1,935.	-39.
Interest on Equity @ 10%		10,116.	203.
Unpaid Family Labour		620.	12.
Operator Labour		14,363.	289.
Less: Sales (Excl. Milk)		25,548.	514.
NET COST OF PRODUCING MILK		$ 143,796.	$ 2,893.
Number of Cows	(#)	50	1
Total Litres of Milk Sold	(L)	279,139	5,615
Price Received per HL	($)	49.63	49.63
Cost of Producing Milk/HL	($)	51.51	51.51
NET RETURN PER HL	($)	-1.89	-1.89

PRODUCTION ANALYSIS

Total milk sales averaged 279,139 litres per farm. For farms in this group, 50 cows per farm was the average with milk sold per cow standing at 5,615 litres.

Fluid milk represented 68.4 percent of the volume of milk sold, while in dollar terms, fluid milk accounted for 72.4 percent of milk sales. Average blend price for all milk was $ 49.63 per hectolitre.

Purchased feed averaged $ 792. per cow or $ 14.10 per hectolitre of milk sold. These dollars represented 2,906 kilograms of feed per cow consumed.

TABLE C-5: PRODUCTION ANALYSIS

ITEM		PER FARM	PER COW
Number of Cows	(#)	50	1
Total Litres of Milk Sold	(L)	279,139	5,615
Value of Milk Sold	($)	138,532	2,787
Price Received per HL Milk	($)	49.63	49.63
Fluid Milk (L's as % of Total Milk)	(%)	68.4	68.4
Fluid Milk ($'s as % of Total Milk)	($)	72.4	72.4
Cost of Dairy Feed	($)	39,364	792
Feed Cost per HL Milk Sold	($)	14.10	14.10
Feed Cost as % of Total Cost	(%)	26.9	26.9
Feed Cost as % of Milk Cost	(%)	28.4	28.4
Kilograms of Feed/HL Milk	(Kgs)	51.75	51.75
Kilograms of Feed	(Kgs)	142,381	2,906
Pounds of Feed	(Lbs)	313,239	6,393

BALANCE SHEET

The Balance Sheet represents a picture of the financial position of a business at a particular point in time. The Balance Sheet is composed of three (3) main parts, namely:

ASSETS are items of value owned by the business.

LIABILITIES are debts owed by the business to others.

EQUITY OR NET WORTH is the difference between assets and liabilities and represents the owners capital investment in the business.

For this group of farms, assets amounted to $ 261,513. per farm or $ 5,261. per cow. Liabilities averaged $ 160,355. per farm and $ 3,226. on a per cow basis. Equity or Net Worth - the difference between assets and liabilities was $ 101,158. per farm or $ 2,035. per cow.

TABLE C-6: BALANCE SHEET

ITEM	PER FARM	PER COW
ASSETS:		
Inventory Value - Land	$ 41,249.	$ 830.
" " - Buildings	48,540.	976.
" " - Machinery	46,429.	934.
" " - Livestock	70,065.	1,409.
" " - Crops & Supp	11,342.	228.
" " - Milk Quota	23,492.	473.
" " - Acct's Rec'able	18,882.	380.
" " - Other	1,515.	30.
TOTAL INVENTORY VALUE - ASSETS	$ 261,513.	$ 5,261.
LIABILITIES:		
Short Term	$ 19,088.	$ 384.
Intermediate Term	22,631.	455.
Long Term	118,636.	2,387.
TOTAL LIABILITIES	$ 160,355.	$ 3,226.
EQUITY OR NET WORTH	$ 101,158.	$ 2,035.

BALANCE SHEET ANALYSIS

For farms in this size group, equity in the farm business averaged 38.68 percent. Farms received a return to equity capital of 4.80 percent and a return to invested capital of 7.27 percent.

Capital Turnover averaged 1.57 years.

Total Assets to Total Liabilities ratio was $ 1.63 - for every dollar of debt there were $ 1.63 of assets.

Net Income as a percent of Gross Farm Income averaged 11.95 percent for this group of farms.

TABLE C-7: BALANCE SHEET ANALYSIS

ITEM		PER FARM
Equity in Farm Business	(%)	38.68
Return on Equity	(%)	4.80
Return on Invested Capital	(%)	7.27
Capital Turnover	(Yrs)	1.57
Current Assets/Current Liabilities	($)	5.33
Total Assets/Total Liabilities	($)	1.63
Total Liabilities/Equity	($)	1.59
Net Income/Gross Income	(%)	11.95

LABOUR ANALYSIS

The labour complement on farms in this size range averaged 2.31 man equivalents; composed of 1.26 operator and unpaid family labour and 1.05 hired man equivalents.

For each man equivalent, 22 cows were maintained with 120,872 litres of milk sold at a value of $ 59,987.

Labour Income per man equivalent averaged $ 7,709.

TABLE C-8: LABOUR ANALYSIS

ITEM		PER FARM
Number of Cows	(#)	50
Operator & Family Man Equivalents	(#)	1.26
Hired Man Equivalents	(#)	1.05
Total Man Equivalents	(#)	2.31
Cows per Man Equivalent	(#)	22
Milk Sold per Man Equilivent	(L)	120,872
Milk Sold per Man Equivalent	($)	59,987
Labour Income Per Man Equivalent Operator & Unpaid Family	($)	7,709

ANALYSIS OF EXPENSES

Purchased Dairy Feed was the largest expense item and accounted for 26.9 percent of Total Expenses. Other major expenses were; depreciation at 11.5 percent, interest at 9.6 percent, hired labour at 8.2 percent, crop expenses at 6.1 percent, tractor and machinery at 6.3 percent and milk marketing at 5.6 percent of Total Expenses.

TABLE C-9: ANALYSIS OF EXPENSES

ITEM	PER COW	PERCENTAGE
Milk Hauling	$ 97.	3.3%
Dairy Feed	792.	26.9
Livestock Purchased	69.	2.3
Vet & Drugs	37.	1.3
Breeding	44.	1.5
Dairy Supplies	76.	2.6
Milk Marketing	166.	5.6
Crop Expenses	180.	6.1
Building & Fence Repairs	63.	2.2
Utilities	100.	3.4
Tractor & Machinery Expenses	185.	6.3
Truck & Auto Expenses	56.	1.9
Interest	282.	9.6
Hired Labour	242.	8.2
Taxes	20.	.7
Insurance	43.	1.5
Miscellaneous	151.	5.1
Depreciation	338.	11.5
TOTAL EXPENSES	$ 2,941.	100.0%

RECEIPTS AND EXPENSES SUMMARY

Information supplied in this section summarizes receipts and expenses for this group of farms on a per cow, per hectolitre and a per hundredweight milk sold basis.

TABLE C-10: RECEIPTS AND EXPENSES SUMMARY

ITEM	PER COW	PER 100 LITRES	PER CWT.
RECEIPTS:			
Fluid Milk	$ 2,018.	$ 35.93	$ 15.83
Manufactured Milk	669.	11.91	5.25
Milk Subsidies	100.	1.79	.79
Livestock Sales	236.	4.21	1.85
Crop Sales	53.	.95	.42
Miscellaneous Sales	224.	3.99	1.76
TOTAL CASH RECEIPTS	$ 3,301.	$ 58.78	$ 25.89
Adj. for Inventory Change	$ 39.	$ .69	$ .31
TOTAL FARM RECEIPTS	$ 3,340.	$ 59.47	$ 26.20
EXPENSES:			
Milk Hauling	$ 97.	$ 1.73	$ .76
Dairy Feed	792.	14.10	6.21
Livestock Purchases	69.	1.23	.54
Vet & Drugs	37.	.66	.29
Breeding	44.	.79	.35
Dairy Supplies	76.	1.35	.60
Milk Marketing	166.	2.95	1.30
Crop Expenses	180.	3.20	1.41
Building & Fence Repair	63.	1.13	.50
Utilities	100.	1.78	.78
Tractor & Machinery Repair	185.	3.29	1.45
Truck & Auto Expense	56.	.99	.44
Interest	282.	5.03	2.22
Hired Labour	242.	4.31	1.90
Taxes	20.	.35	.16
Insurance	43.	.76	.33
Miscellaneous	151.	2.69	1.18
TOTAL CASH EXPENSES	$ 2,602.	$ 46.34	$ 20.41
Building Depreciation	$ 87.	$ 1.55	$ .68
Machinery Depreciation	252.	4.48	.76
TOTAL DEPRECIATION	$ 338.	$ 6.03	$ 2.66
TOTAL FARM EXPENSES	$ 2,941.	$ 52.37	$ 23.07
NET FARM INCOME	$ 399.	$ 7.11	$ 3.13

Section D

Unit Size

60-99 cows

RECEIPTS

Farms in this size range had receipts from milk and milk subsidy of $ 210,953. or $ 2,866. on a per cow basis. This amount accounted for 85.3 percent of Total Farm Receipts. Of this amount, fluid milk represented 75.0 percent, manufactured milk 21.6 percent and milk subsidy 3.4 percent.

Livestock sales averaged 7.9 percent of Total Farm Receipts, while Crop Sales were 1.6 percent and Miscellaneous Sales were 5.2 percent.

Total Farm Receipts averaged $ 247,257. per farm or $ 3,359. on a per cow basis.

TABLE D-1: RECEIPTS

ITEM	PER FARM	PER COW
Fluid Milk Sales	$ 158,119.	$ 2,148.
Manufactured Milk Sales	45,577.	619.
Milk Subsidy	7,257.	99.
Livestock Sales	19,429.	264.
Crop Sales	3,949.	54.
Miscellaneous Sales	12,927.	176.
TOTAL FARM RECEIPTS	$ 247,257.	$ 3,359.

EXPENSES

Total Cash Expenses for farms in this group averaged $ 195,235. per farm or $ 2,652. per cow. Purchased dairy feed was the largest expense item and accounted for 28.7 percent of this total.

Other major expenses were; interest at 10.6 percent, hired labour at 12.5 percent, crop expenses at 7.0 percent, tractor and machinery expense at 7.4 percent, and miscellaneous at 6.8 percent.

TABLE D-2: EXPENSES

ITEM	PER FARM	PER COW
Milk Hauling	$ 6,977.	$ 95.
Dairy Feed	55,962.	760.
Livestock Purchases	7,579.	103.
Vet & Drugs	2,551.	35.
Breeding	2,662.	36.
Dairy Supplies	4,689.	64.
Milk Marketing	9,881.	134.
Crop Expense	13,672.	186.
Building & Fence Repair	4,608.	63.
Utilities	5,660.	77.
Tractor & Machinery Expense	14,418.	196.
Truck & Auto	3,714.	50.
Interest	20,688.	281.
Hired Labour	24,432.	332.
Taxes	1,425.	19.
Insurance	3,061.	42.
Miscellaneous	13,254.	180.
TOTAL CASH EXPENSES	$ 195,235.	$ 2,652.

Income Summary

When analyzing a farm business, a number of different measures of income are often used to assess the financial strength of the business. Three (3) of these measures are:

NET CASH INCOME is the difference between Total Farm Receipts and Total Cash Expenses. For this group of farms, Net Cash Income was $ 52,022. per farm or $ 707. per cow.

NET FARM INCOME adjusts Net Cash Income for Inventory Change and Depreciation. Net Farm Income represents the return to the operator for his labour, management and capital. For this group, Net Farm Income was $ 30,037. per farm or $ 408. on a per cow basis.

LABOUR AND MANAGEMENT INCOME represents the amount of income left for the operator for his labour and management skills. For this group, Labour and Management Income was $ 15,378. per farm or $ 209. per cow.

TABLE D-3: INCOME SUMMARY

ITEM	PER FARM	PER COW
Total Farm Receipts	$ 247,257.	$ 3,359.
Total Cash Receipts	195,235.	2,652.
NET CASH INCOME	$ 52,022.	$ 707.
Plus: Inventory Change	$ 3,461.	$ 47.
Less: Depreciation	25,446.	346.
NET FARM INCOME	$ 30,037.	$ 408.
Less: Unpaid Family Labour	$ 846.	$ 11.
Interest on Equity @10%	13,813.	188.
LABOUR AND MANAGEMENT INCOME	$ 15,378.	$ 209.

NET COST OF PRODUCTION

The Net Cost of Producing Milk for this group of farms was $ 212,482. per farm or $ 2,887. per cow. On a per hectolitre of milk sold basis, this cost was $ 50.27. The return from the sale of milk averaged $ 49.91 leaving a net return over costs of $ -.36 per hectolitre.

Note that all costs, including a value for Operator Labour have been included in this calculation. If Operator Labour was excluded, the Net Cost would have been $ 46.27, leaving a Net Return of $ 3.64 . This then would be the return to Operator Labour.

TABLE D-4: NET COST OF PRODUCTION

ITEM		PER FARM	PER COW
Total Cash Expenses		$ 195,235.	$ 2,652.
Plus: Depreciation		25,446.	346.
Inventory Change		-3,461.	-47.
Interest on Equity @ 10%		13,813.	188.
Unpaid Family Labour		846.	11.
Operator Labour		16,908.	230.
Less: Sales (Excl. Milk)		36,305.	493.
NET COST OF PRODUCING MILK		$ 212,482.	$ 2,887.
Number of Cows	(#)	74	1
Total Litres of Milk Sold	(L)	422,643	5,742
Price Received per HL	($)	49.91	49.91
Cost of Producing Milk/HL	($)	50.27	50.27
NET RETURN PER HL	($)	-.36	-.36

PRODUCTION ANALYSIS

Total milk sales averaged 422,643 litres per farm. For farms in this group, 74 cows per farm was the average with milk sold per cow standing at 5,742 litres.

Fluid milk represented 71.2 percent of the volume of milk sold, while in dollar terms, fluid milk accounted for 75.0 percent of milk sales. Average blend price for all milk was $ 49.91 per hectolitre.

Purchased feed averaged $ 760. per cow or $ 13.24 per hectolitre of milk sold. These dollars represented 2,808 kilograms of feed per cow consumed.

TABLE D-5: PRODUCTION ANALYSIS

ITEM		PER FARM	PER COW
Number of Cows	(#)	74	1
Total Litres of Milk Sold	(L)	422,643	5,742
Value of Milk Sold	($)	210,953	2,866
Price Received per HL Milk	($)	49.91	49.91
Fluid Milk (L's as % of Total Milk)	(%)	71.2	71.2
Fluid Milk ($'s as % of Total Milk)	($)	75.0	75.0
Cost of Dairy Feed	($)	55,962	760
Feed Cost per HL Milk Sold	($)	13.24	13.24
Feed Cost as % of Total Cost	(%)	25.4	25.4
Feed Cost as % of Milk Cost	(%)	26.5	26.5
Kilograms of Feed/HL Milk	(Kgs)	48.91	48.91
Kilograms of Feed	(Kgs)	204,989	2,808
Pounds of Feed	(Lbs)	450,977	6,178

BALANCE SHEET

The Balance Sheet represents a picture of the financial position of a business at a particular point in time. The Balance Sheet is composed of three (3) main parts, namely:

ASSETS are items of value owned by the business.

LIABILITIES are debts owed by the business to others.

EQUITY OR NET WORTH is the difference between assets and liabilities and represents the owners capital investment in the business.

For this group of farms, assets amounted to $ 372,063. per farm or $ 5,055. per cow. Liabilities averaged $ 233,933. per farm and $ 3,178. on a per cow basis. Equity or Net Worth - the difference between assets and liabilities was $ 138,130. per farm or $ 1,877. per cow.

TABLE D-6: BALANCE SHEET

ITEM	PER FARM	PER COW
ASSETS:		
Inventory Value - Land	$ 51,218.	$ 696.
" " - Buildings	73,164.	994.
" " - Machinery	71,617.	973.
" " - Livestock	99,361.	1,350.
" " - Crops & Supp	18,791.	255.
" " - Milk Quota	24,726.	336.
" " - Acct's Rec'able	33,122.	450.
" " - Other	62.	1.
TOTAL INVENTORY VALUE - ASSETS	$ 372,063.	$ 5,055.
LIABILITIES:		
Short Term	$ 31,350.	$ 426.
Intermediate Term	45,210.	614.
Long Term	157,373.	2,138.
TOTAL LIABILITIES	$ 233,933.	$ 3,178.
EQUITY OR NET WORTH	$ 138,130.	$ 1,877.

BALANCE SHEET ANALYSIS

For farms in this size group, equity in the farm business averaged 37.13 percent. Farms received a return to equity capital of 8.89 percent and a return to invested capital of 8.86 percent.

Capital Turnover averaged 1.48 years.

Total Assets to Total Liabilities ratio was $ 1.59 - for every dollar of debt there were $ 1.59 of assets.

Net Income as a percent of Gross Farm Income averaged 11.98 percent for this group of farms.

TABLE D-7: BALANCE SHEET ANALYSIS

ITEM		PER FARM
Equity in Farm Business	(%)	37.13
Return on Equity	(%)	8.89
Return on Invested Capital	(%)	8.86
Capital Turnover	(Yrs)	1.48
Current Assets/Current Liabilities	($)	4.83
Total Assets/Total Liabilities	($)	1.59
Total Liabilities/Equity	($)	1.69
Net Income/Gross Income	(%)	11.98

LABOUR ANALYSIS

The labour complement on farms in this size range averaged 3.43 man equivalents; composed of 1.30 operator and unpaid family labour and 2.13 hired man equivalents.

For each man equivalent, 21 cows were maintained with 123,112 litres of milk sold at a value of $ 61,448.

Labour Income per man equivalent averaged $ 12,459.

TABLE D-8: LABOUR ANALYSIS

ITEM		PER FARM
Number of Cows	(#)	74
Operator & Family Man Equivalents	(#)	1.30
Hired Man Equivalents	(#)	2.13
Total Man Equivalents	(#)	3.43
Cows per Man Equivalent	(#)	21
Milk Sold per Man Equilivent	(L)	123,112
Milk Sold per Man Equivalent	($)	61,448
Labour Income Per Man Equivalent Operator & Unpaid Family	($)	12,459

ANALYSIS OF EXPENSES

Purchased Dairy Feed was the largest expense item and accounted for 25.4 percent of Total Expenses. Other major expenses were; depreciation at 11.5 percent, interest at 9.4 percent, hired labour at 11.1 percent, crop expenses at 6.2 percent, tractor and machinery at 6.5 percent and miscellaneous at 6.0 percent of Total Expenses.

TABLE D-9: ANALYSIS OF EXPENSES

ITEM	PER COW	PERCENTAGE
Milk Hauling	$ 95.	3.2%
Dairy Feed	760.	25.4
Livestock Purchased	103.	3.4
Vet & Drugs	35.	1.2
Breeding	36.	1.2
Dairy Supplies	64.	2.1
Milk Marketing	134.	4.5
Crop Expenses	186.	6.2
Building & Fence Repairs	63.	2.1
Utilities	77.	2.6
Tractor & Machinery Expenses	196.	6.5
Truck & Auto Expenses	50.	1.7
Interest	281.	9.4
Hired Labour	332.	11.1
Taxes	19.	.6
Insurance	42.	1.4
Miscellaneous	180.	6.0
Depreciation	346.	11.5
TOTAL EXPENSES	$ 2,998.	100.0%

RECEIPTS AND EXPENSES SUMMARY

Information supplied in this section summarizes receipts and expenses for this group of farms on a per cow, per hectolitre and a per hundredweight milk sold basis.

TABLE D-10: RECEIPTS AND EXPENSES SUMMARY

ITEM	PER COW	PER 100 LITRES	PER CWT.
RECEIPTS:			
Fluid Milk	$ 2,148.	$ 37.41	$ 16.48
Manufactured Milk	619.	10.78	4.75
Milk Subsidies	99.	1.72	.76
Livestock Sales	264.	4.60	2.03
Crop Sales	54.	.93	.41
Miscellaneous Sales	176.	3.06	1.35
TOTAL CASH RECEIPTS	$ 3,359.	$ 58.50	$ 25.77
Adj. for Inventory Change	$ 47.	$ .82	$ .36
TOTAL FARM RECEIPTS	$ 3,406.	$ 59.32	$ 26.13
EXPENSES:			
Milk Hauling	$ 95.	$ 1.65	$ .73
Dairy Feed	760.	13.24	5.83
Livestock Purchases	103.	1.79	.79
Vet & Drugs	35.	.60	.27
Breeding	36.	.63	.28
Dairy Supplies	64.	1.11	.49
Milk Marketing	134.	2.34	1.03
Crop Expenses	186.	3.23	1.43
Building & Fence Repair	63.	1.09	.48
Utilities	77.	1.34	.59
Tractor & Machinery Repair	196.	3.41	1.50
Truck & Auto Expense	50.	.88	.39
Interest	281.	4.89	2.16
Hired Labour	332.	5.78	2.55
Taxes	19.	.34	.15
Insurance	42.	.72	.32
Miscellaneous	180.	3.14	1.38
TOTAL CASH EXPENSES	$ 2,652.	$ 46.19	$ 20.35
Building Depreciation	$ 94.	$ 1.63	$ .72
Machinery Depreciation	252.	4.39	.73
TOTAL DEPRECIATION	$ 346.	$ 6.02	$ 2.65
TOTAL FARM EXPENSES	$ 2,998.	$ 52.21	$ 23.00
NET FARM INCOME	$ 408.	$ 7.11	$ 3.13

Section E

Unit Size

100+ cows

RECEIPTS

Farms in this size range had receipts from milk and milk subsidy of $ 373,217. or $ 2,777. on a per cow basis. This amount accounted for 86.7 percent of Total Farm Receipts. Of this amount, fluid milk represented 69.1 percent, manufactured milk 27.0 percent and milk subsidy 3.9 percent.

Livestock sales averaged 6.7 percent of Total Farm Receipts, while Crop Sales were 1.3 percent and Miscellaneous Sales were 5.4 percent.

Total Farm Receipts averaged $ 430,425. per farm or $ 3,203. on a per cow basis.

TABLE E-1: RECEIPTS

ITEM	PER FARM	PER COW
Fluid Milk Sales	$ 257,770.	$ 1,918.
Manufactured Milk Sales	100,746.	750.
Milk Subsidy	14,701.	109.
Livestock Sales	28,629.	213.
Crop Sales	5,506.	41.
Miscellaneous Sales	23,072.	172.
TOTAL FARM RECEIPTS	$ 430,425.	$ 3,203.

EXPENSES

Total Cash Expenses for farms in this group averaged $ 329,641. per farm or $ 2,453. per cow. Purchased dairy feed was the largest expense item and accounted for 30.4 percent of this total.

Other major expenses were; interest at 8.4 percent, hired labour at 11.0 percent, crop expenses at 7.0 percent, tractor and machinery expense at 8.5 percent, milk marketing at 7.3 percent, and miscellaneous at 8.1 percent.

TABLE E-2: EXPENSES

ITEM	PER FARM	PER COW
Milk Hauling	$ 12,579.	$ 94.
Dairy Feed	100,123.	745.
Livestock Purchases	5,572.	41.
Vet & Drugs	4,027.	30.
Breeding	4,673.	35.
Dairy Supplies	7,269.	54.
Milk Marketing	24,140.	180.
Crop Expense	22,966.	171.
Building & Fence Repair	7,830.	58.
Utilities	9,737.	72.
Tractor & Machinery Expense	28,077.	209.
Truck & Auto	5,004.	37.
Interest	27,622.	206.
Hired Labour	36,371.	271.
Taxes	1,962.	15.
Insurance	4,891.	36.
Miscellaneous	26,800.	199.
TOTAL CASH EXPENSES	$ 329,641.	$ 2,453.

Income Summary

When analyzing a farm business, a number of different measures of income are often used to assess the financial strength of the business. Three (3) of these measures are:

NET CASH INCOME is the difference between Total Farm Receipts and Total Cash Expenses. For this group of farms, Net Cash Income was $ 100,783. per farm or $ 750. per cow.

NET FARM INCOME adjusts Net Cash Income for Inventory Change and Depreciation. Net Farm Income represents the return to the operator for his labour, management and capital. For this group, Net Farm Income was $ 67,083. per farm or $ 499. on a per cow basis.

LABOUR AND MANAGEMENT INCOME represents the amount of income left for the operator for his labour and management skills. For this group, Labour and Management Income was $ 43,268. per farm or $ 322. per cow.

TABLE E-3: INCOME SUMMARY

ITEM	PER FARM	PER COW
Total Farm Receipts	$ 430,425.	$ 3,203.
Total Cash Receipts	329,641.	2,453.
NET CASH INCOME	$ 100,783.	$ 750.
Plus: Inventory Change	$ 6,625.	$ 49.
Less: Depreciation	40,326.	300.
NET FARM INCOME	$ 67,083.	$ 499.
Less: Unpaid Family Labour	$ 393.	$ 3.
Interest on Equity @10%	23,422.	174.
LABOUR AND MANAGEMENT INCOME	$ 43,268.	$ 322.

NET COST OF PRODUCTION

The Net Cost of Producing Milk for this group of farms was $ 357,814. per farm or $ 2,663. per cow. On a per hectolitre of milk sold basis, this cost was $ 47.79 The return from the sale of milk averaged $ 49.85 leaving a net return over costs of $ 2.06 per hectolitre.

Note that all costs, including a value for Operator Labour have been included in this calculation. If Operator Labour was excluded, the Net Cost would have been $ 44.07, leaving a Net Return of $ 5.78 . This then would be the return to Operator Labour.

TABLE E-4: NET COST OF PRODUCTION

ITEM		PER FARM	PER COW
Total Cash Expenses		$ 329,641.	$ 2,453.
Plus: Depreciation		40,326.	300.
Inventory Change		-6,625.	-49.
Interest on Equity @ 10%		23,422.	174.
Unpaid Family Labour		393.	3.
Operator Labour		27,865.	207.
Less: Sales (Excl. Milk)		57,208.	426.
NET COST OF PRODUCING MILK		$ 357,814.	$ 2,663.
Number of Cows	(#)	134	1
Total Litres of Milk Sold	(L)	748,653	5,571
Price Received per HL	($)	49.85	49.85
Cost of Producing Milk/HL	($)	47.79	47.79
NET RETURN PER HL	($)	2.06	2.06

PRODUCTION ANALYSIS

Total milk sales averaged 748,653 litres per farm. For farms in this group, 134 cows per farm was the average with milk sold per cow standing at 5,571 litres.

Fluid milk represented 64.7 percent of the volume of milk sold, while in dollar terms, fluid milk accounted for 69.1 percent of milk sales. Average blend price for all milk was $ 49.85 per hectolitre.

Purchased feed averaged $ 745. per cow or $ 13.37 per hectolitre of milk sold. These dollars represented 2,977 kilograms of feed per cow consumed.

TABLE E-5: PRODUCTION ANALYSIS

ITEM		PER FARM	PER COW
Number of Cows	(#)	134	1
Total Litres of Milk Sold	(L)	748,653	5,571
Value of Milk Sold	($)	373,217	2,777
Price Received per HL Milk	($)	49.85	49.85
Fluid Milk (L's as % of Total Milk)	(%)	64.7	64.7
Fluid Milk ($'s as % of Total Milk)	($)	69.1	69.1
Cost of Dairy Feed	($)	100,123	745
Feed Cost per HL Milk Sold	($)	13.37	13.37
Feed Cost as % of Total Cost	(%)	27.1	27.1
Feed Cost as % of Milk Cost	(%)	26.8	26.8
Kilograms of Feed/HL Milk	(Kgs)	53.44	53.44
Kilograms of Feed	(Kgs)	398,923	2,977
Pounds of Feed	(Lbs)	877,630	6,549

BALANCE SHEET

The Balance Sheet represents a picture of the financial position of a business at a particular point in time. The Balance Sheet is composed of three (3) main parts, namely:

ASSETS are items of value owned by the business.

LIABILITIES are debts owed by the business to others.

EQUITY OR NET WORTH is the difference between assets and liabilities and represents the owners capital investment in the business.

For this group of farms, assets amounted to $ 547,536. per farm or $ 4,074. per cow. Liabilities averaged $ 313,317. per farm and $ 2,331. on a per cow basis. Equity or Net Worth - the difference between assets and liabilities was $ 234,219. per farm or $ 1,743. per cow.

TABLE E-6: BALANCE SHEET

ITEM	PER FARM	PER COW
ASSETS:		
Inventory Value - Land	$ 79,387.	$ 591.
" " - Buildings	87,739.	653.
" " - Machinery	116,112.	864.
" " - Livestock	154,942.	1,153.
" " - Crops & Supp	34,218.	255.
" " - Milk Quota	34,202.	254.
" " - Acct's Rec'able	40,936.	305.
" " - Other	0.	0.
TOTAL INVENTORY VALUE - ASSETS	$ 547,536.	$ 4,074.
LIABILITIES:		
Short Term	$ 53,915.	$ 401.
Intermediate Term	67,622.	503.
Long Term	191,780.	1,427.
TOTAL LIABILITIES	$ 313,317.	$ 2,331.
EQUITY OR NET WORTH	$ 234,219.	$ 1,743.

BALANCE SHEET ANALYSIS

For farms in this size group, equity in the farm business averaged 42.78 percent. Farms received a return to equity capital of 16.58 percent and a return to invested capital of 12.14 percent.

Capital Turnover averaged 1.25 years.

Total Assets to Total Liabilities ratio was $ 1.75 - for every dollar of debt there were $ 1.75 of assets.

Net Income as a percent of Gross Farm Income averaged 15.35 percent for this group of farms.

TABLE E-7: BALANCE SHEET ANALYSIS

ITEM		PER FARM
Equity in Farm Business	(%)	42.78
Return on Equity	(%)	16.58
Return on Invested Capital	(%)	12.14
Capital Turnover	(Yrs)	1.25
Current Assets/Current Liabilities	($)	4.27
Total Assets/Total Liabilities	($)	1.75
Total Liabilities/Equity	($)	1.34
Net Income/Gross Income	(%)	15.35

LABOUR ANALYSIS

The labour complement on farms in this size range averaged 4.91 man equivalents; composed of 1.73 operator and unpaid family labour and 3.17 hired man equivalents.

For each man equivalent, 27 cows were maintained with 152,619 litres of milk sold at a value of $ 76,083.

Labour Income per man equivalent averaged $ 25,189.

TABLE E-8: LABOUR ANALYSIS

ITEM		PER FARM
Number of Cows	(#)	134
Operator & Family Man Equivalents	(#)	1.73
Hired Man Equivalents	(#)	3.17
Total Man Equivalents	(#)	4.91
Cows per Man Equivalent	(#)	27
Milk Sold per Man Equilivent	(L)	152,619
Milk Sold per Man Equivalent	($)	76,083
Labour Income Per Man Equivalent Operator & Unpaid Family	($)	25,189

ANALYSIS OF EXPENSES

Purchased Dairy Feed was the largest expense item and accounted for 27.1 percent of Total Expenses. Other major expenses were; depreciation at 10.9 percent, interest at 7.5 percent, hired labour at 9.8 percent, crop expenses at 6.2 percent, tractor and machinery at 7.6 percent ,milk marketing at 6.5 percent, and miscellaneous at 7.2 percent of Total Expenses.

TABLE E-9: ANALYSIS OF EXPENSES

ITEM	PER COW	PERCENTAGE
Milk Hauling	$ 94.	3.4%
Dairy Feed	745.	27.1
Livestock Purchased	41.	1.5
Vet & Drugs	30.	1.1
Breeding	35.	1.3
Dairy Supplies	54.	2.0
Milk Marketing	180.	6.5
Crop Expenses	171.	6.2
Building & Fence Repairs	58.	2.1
Utilities	72.	2.6
Tractor & Machinery Expenses	209.	7.6
Truck & Auto Expenses	37.	1.4
Interest	206.	7.5
Hired Labour	271.	9.8
Taxes	15.	.5
Insurance	36.	1.3
Miscellaneous	199.	7.2
Depreciation	300.	10.9
TOTAL EXPENSES	$ 2,753.	100.0%

RECEIPTS AND EXPENSES SUMMARY

Information supplied in this section summarizes receipts and expenses for this group of farms on a per cow, per hectolitre and a per hundredweight milk sold basis.

TABLE E-10: RECEIPTS AND EXPENSES SUMMARY

ITEM	PER COW	PER 100 LITRES	PER CWT.
RECEIPTS:			
Fluid Milk	$ 1,918.	$ 34.43	$ 15.17
Manufactured Milk	750.	13.46	5.93
Milk Subsidies	109.	1.96	.87
Livestock Sales	213.	3.82	1.68
Crop Sales	41.	.74	.32
Miscellaneous Sales	172.	3.08	1.36
TOTAL CASH RECEIPTS	$ 3,203.	$ 57.49	$ 25.33
Adj. for Inventory Change	$ 49.	$ .88	$ .39
TOTAL FARM RECEIPTS	$ 3,252.	$ 58.38	$ 25.72
EXPENSES:			
Milk Hauling	$ 94.	$ 1.68	$ .74
Dairy Feed	745.	13.37	5.89
Livestock Purchases	41.	.74	.33
Vet & Drugs	30.	.54	.24
Breeding	35.	.62	.27
Dairy Supplies	54.	.97	.43
Milk Marketing	180.	3.22	1.42
Crop Expenses	171.	3.07	1.35
Building & Fence Repair	58.	1.05	.46
Utilities	72.	1.30	.57
Tractor & Machinery Repair	209.	3.75	1.65
Truck & Auto Expense	37.	.67	.29
Interest	206.	3.69	1.63
Hired Labour	271.	4.86	2.14
Taxes	15.	.26	.12
Insurance	36.	.65	.29
Miscellaneous	199.	3.58	1.58
TOTAL CASH EXPENSES	$ 2,453.	$ 44.03	$ 19.40
Building Depreciation	$ 66.	$ 1.18	$ .52
Machinery Depreciation	234.	4.21	.74
TOTAL DEPRECIATION	$ 300.	$ 5.39	$ 2.37
TOTAL FARM EXPENSES	$ 2,753.	$ 49.42	$ 21.77
NET FARM INCOME	$ 499.	$ 8.96	$ 3.95

Section F

Analysis of

All Farms

RECEIPTS

Farms in this size range had receipts from milk and milk subsidy of $ 180,500. or $ 2,810. on a per cow basis. This amount accounted for 85.7 percent of Total Farm Receipts. Of this amount, fluid milk represented 72.8 percent, manufactured milk 23.6 percent and milk subsidy 3.6 percent.

Livestock sales averaged 7.2 percent of Total Farm Receipts, while Crop Sales were 1.4 percent and Miscellaneous Sales were 5.7 percent.

Total Farm Receipts averaged $ 210,728. per farm or $ 3,281. on a per cow basis.

TABLE F-1: RECEIPTS

ITEM	PER FARM	PER COW
Fluid Milk Sales	$ 131,348.	$ 2,045.
Manufactured Milk Sales	42,649.	664.
Milk Subsidy	6,503.	101.
Livestock Sales	15,266.	238.
Crop Sales	2,935.	46.
Miscellaneous Sales	12,028.	187.
TOTAL FARM RECEIPTS	$ 210,728.	$ 3,281.

EXPENSES

Total Cash Expenses for farms in this group averaged $ 165,476. per farm or $ 2,576. per cow. Purchased dairy feed was the largest expense item and accounted for 29.5 percent of this total.

Other major expenses were; interest at 10.3 percent, hired labour at 10.7 percent, crop expenses at 6.9 percent, tractor and machinery expense at 7.6 percent, and miscellaneous at 7.0 percent.

TABLE F-2: EXPENSES

ITEM	PER FARM	PER COW
Milk Hauling	$ 6,069.	$ 94.
Dairy Feed	48,840.	760.
Livestock Purchases	4,858.	76.
Vet & Drugs	2,136.	33.
Breeding	2,432.	38.
Dairy Supplies	4,187.	65.
Milk Marketing	10,049.	156.
Crop Expense	11,428.	178.
Building & Fence Repair	4,034.	63.
Utilities	5,506.	86.
Tractor & Machinery Expense	12,541.	195.
Truck & Auto	3,276.	51.
Interest	17,059.	266.
Hired Labour	17,648.	275.
Taxes	1,231.	19.
Insurance	2,672.	42.
Miscellaneous	11,509.	179.
TOTAL CASH EXPENSES	$ 165,476.	$ 2,576.

Income Summary

When analyzing a farm business, a number of different measures of income are often used to assess the financial strength of the business. Three (3) of these measures are:

NET CASH INCOME is the difference between Total Farm Receipts and Total Cash Expenses. For this group of farms, Net Cash Income was $ 45,251. per farm or $ 705. per cow.

NET FARM INCOME adjusts Net Cash Income for Inventory Change and Depreciation. Net Farm Income represents the return to the operator for his labour, management and capital. For this group, Net Farm Income was $ 26,762. per farm or $ 417. on a per cow basis.

LABOUR AND MANAGEMENT INCOME represents the amount of income left for the operator for his labour and management skills. For this group, Labour and Management Income was $ 14,002. per farm or $ 218. per cow.

TABLE F-3: INCOME SUMMARY

ITEM	PER FARM	PER COW
Total Farm Receipts	$ 210,728.	$ 3,281.
Total Cash Receipts	165,476.	2,576.
NET CASH INCOME	$ 45,251.	$ 705.
Plus: Inventory Change	$ 2,903.	$ 45.
Less: Depreciation	21,393.	333.
NET FARM INCOME	$ 26,762.	$ 417.
Less: Unpaid Family Labour	$ 616.	$ 10.
Interest on Equity @10%	12,144.	189.
LABOUR AND MANAGEMENT INCOME	$ 14,002.	$ 218.

NET COST OF PRODUCTION

The Net Cost of Producing Milk for this group of farms was $ 182,277. per farm or $ 2,838. per cow. On a per hectolitre of milk sold basis, this cost was $ 50.32 The return from the sale of milk averaged $ 49.83 leaving a net return over costs of $ -.49 per hectolitre.

Note that all costs, including a value for Operator Labour have been included in this calculation. If Operator Labour was excluded, the Net Cost would have been $ 45.96, leaving a Net Return of $ 3.87 . This then would be the return to Operator Labour.

TABLE F-4: NET COST OF PRODUCTION

ITEM		PER FARM	PER COW
Total Cash Expenses		$ 165,476.	$ 2,576.
Plus: Depreciation		21,393.	333.
Inventory Change		-2,903.	-45.
Interest on Equity @ 10%		12,144.	189.
Unpaid Family Labour		616.	10.
Operator Labour		15,780.	246.
Less: Sales (Excl. Milk)		30,228.	471.
NET COST OF PRODUCING MILK		$ 182,277.	$ 2,838.
Number of Cows	(#)	64	1
Total Litres of Milk Sold	(L)	362,251	5,640
Price Received per HL	($)	49.83	49.83
Cost of Producing Milk/HL	($)	50.32	50.32
NET RETURN PER HL	($)	-.49	-.49

PRODUCTION ANALYSIS

Total milk sales averaged 362,251 litres per farm. For farms in this group, 64 cows per farm was the average with milk sold per cow standing at 5,640 litres.

Fluid milk represented 68.7 percent of the volume of milk sold, while in dollar terms, fluid milk accounted for 72.8 percent of milk sales. Average blend price for all milk was $ 49.83 per hectolitre.

Purchased feed averaged $ 760. per cow or $ 13.48 per hectolitre of milk sold. These dollars represented 2,861 kilograms of feed per cow consumed.

TABLE F-5: PRODUCTION ANALYSIS

ITEM		PER FARM	PER COW
Number of Cows	(#)	64	1
Total Litres of Milk Sold	(L)	362,251	5,640
Value of Milk Sold	($)	180,500	2,810
Price Received per HL Milk	($)	49.83	49.83
Fluid Milk (L's as % of Total Milk)	(%)	68.7	68.7
Fluid Milk ($'s as % of Total Milk)	($)	72.8	72.8
Cost of Dairy Feed	($)	48,840	760
Feed Cost per HL Milk Sold	($)	13.48	13.48
Feed Cost as % of Total Cost	(%)	26.1	26.1
Feed Cost as % of Milk Cost	(%)	27.1	27.1
Kilograms of Feed/HL Milk	(Kgs)	50.73	50.73
Kilograms of Feed	(Kgs)	183,097	2,861
Pounds of Feed	(Lbs)	402,813	6,294

BALANCE SHEET

The Balance Sheet represents a picture of the financial position of a business at a particular point in time. The Balance Sheet is composed of three (3) main parts, namely:

ASSETS are items of value owned by the business.

LIABILITIES are debts owed by the business to others.

EQUITY OR NET WORTH is the difference between assets and liabilities and represents the owners capital investment in the business.

For this group of farms, assets amounted to $ 316,005. per farm or $ 4,920. per cow. Liabilities averaged $ 194,562. per farm and $ 3,029. on a per cow basis. Equity or Net Worth - the difference between assets and liabilities was $ 121,443. per farm or $ 1,891. per cow.

TABLE F-6: BALANCE SHEET

ITEM	PER FARM	PER COW
ASSETS:		
Inventory Value - Land	$ 47,654.	$ 742.
" " - Buildings	58,693.	914.
" " - Machinery	60,226.	938.
" " - Livestock	83,218.	1,296.
" " - Crops & Supp	15,698.	244.
" " - Milk Quota	25,169.	392.
" " - Acct's Rec'able	24,849.	387.
" " - Other	500.	8.
TOTAL INVENTORY VALUE - ASSETS	$ 316,005.	$ 4,920.
LIABILITIES:		
Short Term	$ 24,806.	$ 386.
Intermediate Term	33,779.	526.
Long Term	135,976.	2,117.
TOTAL LIABILITIES	$ 194,562.	$ 3,029.
EQUITY OR NET WORTH	$ 121,443.	$ 1,891.

BALANCE SHEET ANALYSIS

For farms in this size group, equity im the farm business averaged 38.43 percent. Farms received a return to equity capital of 8.54 percent and a return to invested capital of 8.69 percent.

Capital Turnover averaged 1.48 years.

Total Assets to Total Liabilities ratio was $ 1.62 - for every dollar of debt there were $ 1.62 of assets.

Net Income as a percent of Gross Farm Imcome averaged 12.53 percent for this group of farms.

TABLE F-7: BALANCE SHEET ANALYSIS

ITEM		PER FARM
Equity in Farm Business	((%)	38.43
Return on Equity	((%)	8.54
Return on Invested Capital	((%)	8.69
Capital Turnover	(Yrs)	1.48
Current Assets/Current Liabilities	((%)	5.01
Total Assets/Total Liabilities	((%)	1.62
Total Liabilities/Equity	((%)	1.60
Net Income/Gross Income	((%)	12.53

LABOUR ANALYSIS

The labour complement on farms in this size range averaged 2.84 man equivalents; composed of 1.30 operator and unpaid family labour and 1.54 hired man equivalents.

For each man equivalent, 23 cows were maintained with 127,425 litres of milk sold at a value of $ 63,492.

Labour Income per man equivalent averaged $ 11,212.

TABLE F-8: LABOUR ANALYSIS

ITEM		PER FARM
Number of Cows	(#)	64
Operator & Family Man Equivalents	(#)	1.30
Hired Man Equivalents	(#)	1.54
Total Man Equivalents	(#)	2.84
Cows per Man Equivalent	(#)	23
Milk Sold per Man Equilivent	(L)	127,425
Milk Sold per Man Equivalent	($)	63,492
Labour Income Per Man Equivalent Operator & Unpaid Family	($)	11,212

ANALYSIS OF EXPENSES

Purchased Dairy Feed was the largest expense item and accounted for 26.1 percent of Total Expenses. Other major expenses were; depreciation at 11.4 percent, interest at 9.1 percent, hired labour at 9.4 percent, crop expenses at 6.1 percent, tractor and machinery at 6.7 percent and miscellaneous at 6.2 percent of Total Expenses.

TABLE F-9: ANALYSIS OF EXPENSES

ITEM	PER COW	PERCENTAGE
Milk Hauling	$ 94.	3.2%
Dairy Feed	760.	26.1
Livestock Purchased	76.	2.6
Vet & Drugs	33.	1.1
Breeding	38.	1.3
Dairy Supplies	65.	2.2
Milk Marketing	156.	5.4
Crop Expenses	178.	6.1
Building & Fence Repairs	63.	2.2
Utilities	86.	2.9
Tractor & Machinery Expenses	195.	6.7
Truck & Auto Expenses	51.	1.8
Interest	266.	9.1
Hired Labour	275.	9.4
Taxes	19.	.7
Insurance	42.	1.4
Miscellaneous	179.	6.2
Depreciation	333.	11.4
TOTAL EXPENSES	$ 2,909.	100.0%

RECEIPTS AND EXPENSES SUMMARY

Information supplied in this section summarizes receipts and expenses for this group of farms on a per cow, per hectolitre and a per hundredweight milk sold basis.

TABLE F-10: RECEIPTS AND EXPENSES SUMMARY

ITEM	PER COW	PER 100 LITRES	PER CWT.
RECEIPTS:			
Fluid Milk	$ 2,045.	$ 36.26	$ 15.97
Manufactured Milk	664.	11.77	5.19
Milk Subsidies	101.	1.80	.79
Livestock Sales	238.	4.21	1.86
Crop Sales	46.	.81	.36
Miscellaneous Sales	187.	3.32	1.46
TOTAL CASH RECEIPTS	$ 3,281.	$ 58.17	$ 25.63
Adj. for Inventory Change	$ 45.	$ .80	$ .35
TOTAL FARM RECEIPTS	$ 3,326.	$ 58.97	$ 25.98
EXPENSES:			
Milk Hauling	$ 94.	$ 1.68	$ .74
Dairy Feed	760.	13.48	5.94
Livestock Purchases	76.	1.34	.59
Vet & Drugs	33.	.59	.26
Breeding	38.	.67	.30
Dairy Supplies	65.	1.16	.51
Milk Marketing	156.	2.77	1.22
Crop Expenses	178.	3.15	1.39
Building & Fence Repair	63.	1.11	.49
Utilities	86.	1.52	.67
Tractor & Machinery Repair	195.	3.46	1.53
Truck & Auto Expense	51.	.90	.40
Interest	266.	4.71	2.07
Hired Labour	275.	4.87	2.15
Taxes	19.	.34	.15
Insurance	42.	.74	.32
Miscellaneous	179.	3.18	1.40
TOTAL CASH EXPENSES	$ 2,576.	$ 45.68	$ 20.12
Building Depreciation	$ 84.	$ 1.49	$ .66
Machinery Depreciation	249.	4.41	.74
TOTAL DEPRECIATION	$ 333.	$ 5.91	$ 2.60
TOTAL FARM EXPENSES	$ 2,909.	$ 51.59	$ 22.72
NET FARM INCOME	$ 417.	$ 7.39	$ 3.25

Section G

Net Farm Income

Analysis

One of the key factors studied when analyzing a farm business is Net Farm Income. This factor is important as it provides the return to the operator for his labour and management skills along with a return to equity capital in the business. A study of the various groupings below can provide some indication of why there are such wide variations in the Net Farm Incomes of the farms in this summary.

The one hundred and forty-two (142) farms in the summary were reorganized into three groupings based on Net Farm Income per Cow. These groups were - (1) the high 25 percent Net Farm Income per Cow Farms, (2) the middle 50 percent Net Farm Income per Cow Farms and (3) the low 25 percent Net Farm Income per Cow Farms.

Similiar assumptions regarding Interest on Equity, Operator and Family Labour were made for this section as were made throughout the summary.

Table G-1 provides data on a per farm basis, while Table G-2 provides the data on a per cow basis.

A review of the tables shows that the High Net Farm Income per Cow group received a return to all factors of production at the assumed levels. The middle and low groups did not receive a return sufficient to meet all costs.

The High Net Farm Income Group had Net Income per cow of $907., while the middle and low groups averaged $371. and $-(105.) respectfully.

Return on Equity averaged 19.8 percent for the high group, while the low group received no return to equity.

Net Income as a percent of Gross Income averaged 24.4 percent for the High Group and -0- for the Low Group.

HIGH,MEDIUM AND LOW NET FARM INCOME PER COW FARMS

PER FARM ANALYSIS

ITEM	HIGH N.F.I./COW	MEDIUM N.F.I./COW	LOW N.F.I./COW
RECEIPTS:			
Fluid Milk	$ 146,256	$ 140,508	$ 97,433
Industrial Milk	49,081	45,742	29,758
Milk Subsidies	7,794	6,745	4,683
Livestock Sales	17,866	15,936	11,233
Crop Sales	2,517	3,287	2,650
Miscellaneous Sales	13,470	13,050	8,470
TOTAL CASH RECEIPTS	$ 236,984	$ 225,268	$ 154,228
Adj.for Inventory Change	$ 6,245	$ 2,951	$ -631
TOTAL FARM RECEIPTS	$ 243,229	$ 228,219	$ 153,597
EXPENSES:			
Milk Hauling	$ 6,889	$ 6,502	$ 4,348
Dairy Feed	51,786	52,253	38,888
Livestock Purchases	4,534	5,061	4,780
Vet and Drugs	2,284	2,217	1,820
Breeding	2,867	2,511	1,825
Dairy Supplies	4,692	4,402	3,229
Milk Marketing	10,959	10,643	7,910
Crop Expenses	11,122	12,783	8,996
Bldg.-Fence Repair	4,077	4,132	3,791
Utilities	4,891	5,840	5,461
Tract-Mach.Repair	11,824	13,740	10,846
Truck and Auto Exp	3,292	3,398	3,013
Interest	12,914	19,704	15,955
Hired Labor	17,767	19,030	14,721
Taxes	1,226	1,366	965
Insurance	2,411	2,924	2,430
Miscellaneous	9,389	13,270	10,120
TOTAL CASH EXPENSES	$ 162,923	$ 179,775	$ 139,097

HIGH,MEDIUM AND LOW NET FARM INCOME PER COW FARMS

PER FARM ANALYSIS

ITEM		HIGH N.F.I./COW	MEDIUM N.F.I./COW	LOW N.F.I./COW
Bldg.Deprec.		$ 5,218	$ 5,816	$ 4,772
Mach.Deprec.		$ 15,683	$ 16,603	$ 15,045
TOTAL DEPRECIATION		$ 20,901	$ 22,419	$ 19,817
TOTAL FARM EXPENSES		$ 183,824	$ 202,194	$ 158,914
NET FARM INCOME		$ 59,405	$ 26,025	$ -5,317
Total Farm Expense		$ 183,824	$ 202,194	$ 158,914
Plus: Interest on Equity		19,384	10,250	8,541
Unpaid Family Labor		786	655	362
Operator Labor		17,791	16,324	12,780
Less: Sales (Excl. Milk)		33,853	32,273	22,353
NET COST OF PROD. MILK		$ 187,933	$ 197,150	$ 158,244
Number of Farms	(#)	36	71	35
Number of Cows/Farm	(#)	66	70	51
Litres of Milk/Farm	(L)	404,802	388,838	264,552
Price of Milk/HL	($)	50.18	49.63	49.85
Cost of Producing Milk/HL	($)	46.43	50.70	59.82
NET RETURN/HL	($)	3.75	-1.07	-9.97
Investment/Farm	($)	342,090	328,986	262,842
Liabilities/Farm	($)	148,248	226,489	177,434
Feed Cost/HL Milk Sold	($)	12.79	13.44	14.70
Equity in Business	(%)	56.7	31.2	32.5
Return on Equity	(%)	19.8	13.1	.0
Return on Invested Capital	(%)	16.0	8.9	.0
Net Income / Gross Income	(%)	24.4	11.4	-3.5

HIGH,MEDIUM AND LOW NET FARM INCOME PER COW FARMS

PER COW ANALYSIS

ITEM	HIGH N.F.I./COW	MEDIUM N.F.I./COW	LOW N.F.I./COW
RECEIPTS:			
Fluid Milk	$ 2,233	$ 2,001	$ 1,919
Industrial Milk	749	651	586
Milk Subsidies	119	96	92
Livestock Sales	273	227	221
Crop Sales	38	47	52
Miscellaneous Sales	206	186	167
TOTAL CASH RECEIPTS	$ 3,618	$ 3,208	$ 3,038
Adj.for Inventory Change	$ 95	$ 42	$ -12
TOTAL FARM RECEIPTS	$ 3,713	$ 3,250	$ 3,025
EXPENSES:			
Milk Hauling	$ 105	$ 93	$ 86
Dairy Feed	791	744	766
Livestock Purchases	69	72	94
Vet and Drugs	35	32	36
Breeding	44	36	36
Dairy Supplies	72	63	64
Milk Marketing	167	152	156
Crop Expenses	170	182	177
Bldg.-Fence Repair	62	59	75
Utilities	75	83	108
Tract-Mach.Repair	181	196	214
Truck and Auto Exp	50	48	59
Interest	197	281	314
Hired Labor	271	271	290
Taxes	19	19	19
Insurance	37	42	48
Miscellaneous	143	189	199
TOTAL CASH EXPENSES	$ 2,487	$ 2,560	$ 2,740

HIGH,MEDIUM AND LOW NET FARM INCOME PER COW FARMS

PER COW ANALYSIS

ITEM		HIGH N.F.I./COW	MEDIUM N.F.I./COW	LOW N.F.I./COW
Bldg.Deprec.		$ 80	$ 83	$ 94
Mach.Deprec.		$ 239	$ 236	$ 296
TOTAL DEPRECIATION		$ 319	$ 319	$ 390
TOTAL FARM EXPENSES		$ 2,806	$ 2,879	$ 3,130
NET FARM INCOME		$ 907	$ 371	$ -105
Total Farm Expense		$ 2,806	$ 2,879	$ 3,130
Plus: Interest on Equity		296	146	168
Unpaid Family Labor		12	9	7
Operator Labor		272	232	252
Less: Sales (Excl. Milk)		517	460	440
NET COST OF PROD. MILK		$ 2,869	$ 2,807	$ 3,117
Number of Farms	(#)	36	71	35
Number of Cows/Farm	(#)	66	70	51
Litres of Milk/Cow	(L)	6,180	5,537	5,211
Price of Milk/HL	($)	50.18	49.63	49.85
Cost of Producing Milk/HL	($)	46.43	50.70	59.82
NET RETURN/HL	($)	3.75	-1.07	-9.97
Investment/Cow	($)	5,223	5,023	4,013
Liabilities/Cow	($)	2,263	3,458	2,709
Feed Cost/HL Milk Sold	($)	12.79	13.44	14.70
Equity in Business	(%)	56.7	31.2	32.5
Return on Equity	(%)	19.8	13.1	.0
Return on Invested Capital	(%)	16.0	8.9	.0
Net Income / Gross Income	(%)	24.4	11.4	.0

Section H

Production

Analysis

In the management of a business, output per unit of input is one of the key elements to the success of that business. In the dairy business, production per farm or more particularily, production per cow is one of the key factors determining the profitablility of the farm business.

In this section of the summary, farms were reclassified according to production levels on a per cow basis. Three (3) levels were chosen as follows: (1) high 25 percent production per cow farms; (2) middle 50 percent production per cow farms, and (3) low 25 percent production per cow farms.

Assumptions regarding Operator and Family Labour and Interest on Equity were the same as used elsewhere in this summary.

Tables H-1 and H-2 present information on a per farm and per cow basis.

In analyzing the information found in the tables, it is noted that the high production per cow farms achieved a slight return to all factors of production. The high production group showed a $0.17 net return per hectolitre.

The high production group had production of 6,834 litres per cow, while the low production group averaged 4,385 litres per cow.

HIGH,MEDIUM AND LOW FARM PRODUCTION PER COW FARMS

PER FARM ANALYSIS

ITEM	HIGH PROD./COW	MEDIUM PROD./COW	LOW PROD./COW
RECEIPTS:			
Fluid Milk	$ 155,728	$ 137,336	$ 94,125
Industrial Milk	44,426	47,008	31,979
Milk Subsidies	6,947	7,235	4,561
Livestock Sales	19,632	14,970	11,377
Crop Sales	4,886	2,420	1,972
Miscellaneous Sales	13,914	11,603	10,950
TOTAL CASH RECEIPTS	$ 245,532	$ 220,571	$ 154,964
Adj.for Inventory Change	$ 3,303	$ 4,044	$ 177
TOTAL FARM RECEIPTS	$ 248,836	$ 224,615	$ 155,142
EXPENSES:			
Milk Hauling	$ 6,811	$ 6,505	$ 4,423
Dairy Feed	57,479	51,027	35,518
Livestock Purchases	6,638	4,728	3,290
Vet and Drugs	2,982	2,146	1,244
Breeding	2,962	2,652	1,441
Dairy Supplies	4,455	4,544	3,185
Milk Marketing	11,191	10,090	8,792
Crop Expenses	13,032	11,774	9,078
Bldg.-Fence Repair	4,280	4,101	3,646
Utilities	5,714	5,821	4,654
Tract-Mach.Repair	12,943	13,001	11,195
Truck and Auto Exp	3,357	3,521	2,695
Interest	17,314	19,422	12,002
Hired Labor	22,263	17,296	13,614
Taxes	1,218	1,302	1,103
Insurance	2,887	2,589	2,621
Miscellaneous	13,160	12,324	8,159
TOTAL CASH EXPENSES	$ 188,687	$ 172,843	$ 126,659

HIGH,MEDIUM AND LOW FARM PRODUCTION PER COW FARMS

PER FARM ANALYSIS

ITEM		HIGH PROD./COW	MEDIUM PROD./COW	LOW PROD./COW
Bldg.Deprec.		$ 6,113	$ 6,054	$ 3,367
Mach.Deprec.		$ 19,124	$ 16,278	$ 12,165
TOTAL DEPRECIATION		$ 25,237	$ 22,333	$ 15,532
TOTAL FARM EXPENSES		$ 213,924	$ 195,176	$ 142,191
NET FARM INCOME		$ 34,912	$ 29,439	$ 12,951
Total Farm Expense		$ 213,924	$ 195,176	$ 142,191
Plus: Interest on Equity		14,495	12,836	8,324
Unpaid Family Labor		699	636	489
Operator Labor		15,718	16,593	14,247
Less: Sales (Excl. Milk)		38,432	28,992	24,299
NET COST OF PROD. MILK		$ 206,405	$ 196,248	$ 140,952
Number of Farms	(#)	36	71	35
Number of Cows/Farm	(#)	61	68	60
Litres of Milk/Farm	(L)	414,016	385,005	262,851
Price of Milk/HL	($)	50.02	49.76	49.71
Cost of Producing Milk/HL	($)	49.85	50.97	53.62
NET RETURN/HL	($)	.17	-1.21	-3.91
Feed Cost/HL Milk Sold	($)	13.88	13.25	13.51
Feed Cost as % of Total Costs	(%)	26.9	26.1	25.0
Feed Cost as % of Milk Sales	(%)	27.8	26.6	27.2
Kilograms of Feed/HL Milk Sold	(Kgs)	50.4	50.9	50.6

HIGH,MEDIUM AND LOW FARM PRODUCTION PER COW FARMS

PER COW ANALYSIS

ITEM	HIGH PROD./COW	MEDIUM PROD./COW	LOW PROD./COW
RECEIPTS:			
Fluid Milk	$ 2,570	$ 2,014	$ 1,570
Industrial Milk	733	689	533
Milk Subsidies	115	106	76
Livestock Sales	324	220	190
Crop Sales	81	35	33
Miscellaneous Sales	230	170	183
TOTAL CASH RECEIPTS	$ 4,053	$ 3,234	$ 2,585
Adj.for Inventory Change	$ 55	$ 59	$ 3
TOTAL FARM RECEIPTS	$ 4,107	$ 3,294	$ 2,588
EXPENSES:			
Milk Hauling	$ 112	$ 95	$ 74
Dairy Feed	949	748	593
Livestock Purchases	110	69	55
Vet and Drugs	49	31	21
Breeding	49	39	24
Dairy Supplies	74	67	53
Milk Marketing	185	148	147
Crop Expenses	215	173	151
Bldg.-Fence Repair	71	60	61
Utilities	94	85	78
Tract-Mach.Repair	214	191	187
Truck and Auto Exp	55	52	45
Interest	286	285	200
Hired Labor	367	254	227
Taxes	20	19	18
Insurance	48	38	44
Miscellaneous	217	181	136
TOTAL CASH EXPENSES	$ 3,115	$ 2,534	$ 2,113

HIGH,MEDIUM AND LOW FARM PRODUCTION PER COW FARMS

PER COW ANALYSIS

ITEM		HIGH PROD./COW	MEDIUM PROD./COW	LOW PROD./COW
Bldg.Deprec.		$ 101	$ 89	$ 56
Mach.Deprec.		$ 316	$ 239	$ 203
TOTAL DEPRECIATION		$ 417	$ 327	$ 259
TOTAL FARM EXPENSES		$ 3,531	$ 2,862	$ 2,372
NET FARM INCOME		$ 576	$ 432	$ 216
Total Farm Expense		$ 3,531	$ 2,862	$ 2,372
Plus: Interest on Equity		239	188	139
Unpaid Family Labor		12	9	8
Operator Labor		259	243	238
Less: Sales (Excl. Milk)		634	425	405
NET COST OF PROD. MILK		$ 3,407	$ 2,878	$ 2,351
Number of Farms	(#)	36	71	35
Number of Cows/Farm	(#)	61	68	60
Litres of Milk/Cow	(L)	6,834	5,645	4,385
Price of Milk/HL	($)	50.02	49.76	49.71
Cost of Producing Milk/HL	($)	49.85	50.97	53.62
NET RETURN/HL	($)	.17	-1.21	-3.91
Feed Cost/HL Milk Sold	($)	13.88	13.25	13.51
Feed Cost as % of Total Costs	(%)	26.9	26.1	25.0
Feed Cost as % of Milk Sales	(%)	27.8	26.6	27.2
Kilograms of Feed/HL Milk Sold	(Kgs)	50.4	50.9	50.6

Section I

Investment

Analysis

The level of capital investment in a business can be an important factor in determining the profitability of that business. In this section of the summary, farms are re-grouped into three (3) classifications as follows: (1) the high 25 percent Investment per Cow Farms, (2) the middle 50 percent Investment per Cow Farms, and (3) the low 25 percent Investment per Cow Farms.

Similiar assumptions regarding Operator and Family Labour and Return on Equity were used for this section as were made throughout this summary.

Table I-1 provides data on a per farm basis , while Table I-2 provides data on a per cow basis.

The information contained in the tables reveals that no group received a return to all factors of production at the assumed levels. However, the Medium Investment per Cow group came closest to achieving a positive return.

Investment per cow averaged $4,535. for the Low Investment per Cow group, and $7,420. for the High Investment per Cow group.

All groups received a Return to Equity ranging from 8.0 percent for the High Investment per Cow group, to 9.7 percent for the Low Investment per Cow group.

Net Income as a percent of Gross Farm Income ranged from 10.9 percent for the High Investment per Cow group, to 11.0 percent for the Low Investment per Cow group.

HIGH,MEDIUM AND LOW INVESTMENT PER COW FARMS

PER FARM ANALYSIS

ITEM	HIGH INVEST./COW	MEDIUM INVEST./COW	LOW INVEST./COW
RECEIPTS:			
Fluid Milk	$ 110,195	$ 142,511	$ 130,462
Industrial Milk	33,953	47,204	42,352
Milk Subsidies	5,344	7,374	5,929
Livestock Sales	13,317	17,187	13,374
Crop Sales	3,209	3,029	2,460
Miscellaneous Sales	12,701	11,796	11,805
TOTAL CASH RECEIPTS	$ 178,718	$ 229,101	$ 206,383
Adj.for Inventory Change	$ 3,157	$ 3,211	$ 2,018
TOTAL FARM RECEIPTS	$ 181,875	$ 232,312	$ 208,401
EXPENSES:			
Milk Hauling	$ 5,118	$ 6,677	$ 5,815
Dairy Feed	39,631	52,424	51,044
Livestock Purchases	3,967	5,687	4,092
Vet and Drugs	1,986	2,289	1,980
Breeding	2,192	2,678	2,180
Dairy Supplies	3,642	4,566	3,977
Milk Marketing	7,716	10,115	12,315
Crop Expenses	9,884	12,220	11,410
Bldg.-Fence Repair	3,025	4,432	4,266
Utilities	4,759	5,947	5,380
Tract-Mach.Repair	9,645	14,054	12,449
Truck and Auto Exp	2,608	3,689	3,126
Interest	19,621	17,993	12,529
Hired Labor	12,958	19,630	18,451
Taxes	1,174	1,357	1,037
Insurance	2,556	2,666	2,804
Miscellaneous	10,693	10,556	14,283
TOTAL CASH EXPENSES	$ 141,174	$ 176,980	$ 167,138

HIGH,MEDIUM AND LOW INVESTMENT PER COW FARMS

PER FARM ANALYSIS

ITEM		HIGH INVEST./COW	MEDIUM INVEST./COW	LOW INVEST./COW
Bldg.Deprec.		$ 5,706	$ 5,981	$ 3,934
Mach.Deprec.		$ 15,099	$ 17,175	$ 14,486
TOTAL DEPRECIATION		$ 20,804	$ 23,157	$ 18,420
TOTAL FARM EXPENSES		$ 161,978	$ 200,136	$ 185,559
NET FARM INCOME		$ 19,897	$ 32,176	$ 22,843
Total Farm Expense		$ 161,978	$ 200,136	$ 185,559
Plus: Interest on Equity		12,891	13,824	7,968
Unpaid Family Labor		578	764	354
Operator Labor		14,570	16,228	16,121
Less: Sales (Excl. Milk)		29,226	32,013	27,640
NET COST OF PROD. MILK		$ 160,791	$ 198,940	$ 182,362
Number of Farms	(#)	36	71	35
Number of Cows/Farm	(#)	49	69	71
Litres of Milk/Farm	(L)	299,370	395,474	359,535
Price of Milk/HL	($)	49.94	49.84	49.72
Cost of Producing Milk/HL	($)	53.71	50.30	50.72
NET RETURN/HL	($)	-3.77	-.47	-1.01
Investment/Farm	($)	361,918	339,463	221,196
Liabilities/Farm	($)	233,009	201,218	141,514
Feed Cost/HL Milk Sold	($)	13.24	13.26	14.20
Equity in Business	(%)	35.6	40.7	36.0
Return on Equity	(%)	8.0	13.1	9.7
Return on Invested Capital	(%)	6.9	10.0	8.7
Net Income / Gross Income	(%)	10.9	13.9	11.0

HIGH,MEDIUM AND LOW INVESTMENT PER COW FARMS

PER COW ANALYSIS

ITEM	HIGH INVEST./COW	MEDIUM INVEST./COW	LOW INVEST./COW
RECEIPTS:			
Fluid Milk	$ 2,259	$ 2,079	$ 1,828
Industrial Milk	696	689	593
Milk Subsidies	110	108	83
Livestock Sales	273	251	187
Crop Sales	66	44	34
Miscellaneous Sales	260	172	165
TOTAL CASH RECEIPTS	$ 3,664	$ 3,342	$ 2,892
Adj.for Inventory Change	$ 65	$ 47	$ 28
TOTAL FARM RECEIPTS	$ 3,729	$ 3,389	$ 2,920
EXPENSES:			
Milk Hauling	$ 105	$ 97	$ 81
Dairy Feed	812	765	715
Livestock Purchases	81	83	57
Vet and Drugs	41	33	28
Breeding	45	39	31
Dairy Supplies	75	67	56
Milk Marketing	158	148	173
Crop Expenses	203	178	160
Bldg.-Fence Repair	62	65	60
Utilities	98	87	75
Tract-Mach.Repair	198	205	174
Truck and Auto Exp	53	54	44
Interest	402	262	176
Hired Labor	266	286	259
Taxes	24	20	15
Insurance	52	39	39
Miscellaneous	219	154	200
TOTAL CASH EXPENSES	$ 2,894	$ 2,582	$ 2,342

HIGH,MEDIUM AND LOW INVESTMENT PER COW FARMS

PER COW ANALYSIS

ITEM		HIGH INVEST./COW	MEDIUM INVEST./COW	LOW INVEST./COW
Bldg.Deprec.		$ 117	$ 87	$ 55
Mach.Deprec.		$ 310	$ 251	$ 203
TOTAL DEPRECIATION		$ 427	$ 338	$ 258
TOTAL FARM EXPENSES		$ 3,321	$ 2,920	$ 2,600
NET FARM INCOME		$ 408	$ 469	$ 320
Total Farm Expense		$ 3,321	$ 2,920	$ 2,600
Plus: Interest on Equity		264	202	112
Unpaid Family Labor		12	11	5
Operator Labor		299	237	226
Less: Sales (Excl. Milk)		599	467	387
NET COST OF PROD. MILK		$ 3,296	$ 2,902	$ 2,555
Number of Farms	(#)	36	71	35
Number of Cows/Farm	(#)	49	69	71
Litres of Milk/Cow	(L)	6,137	5,769	5,038
Price of Milk/HL	($)	49.94	49.84	49.72
Cost of Producing Milk/HL	($)	53.71	50.30	50.72
NET RETURN/HL	($)	-3.77	-.47	-1.01
Investment/Cow	($)	7,420	6,959	4,535
Liabilities/Cow	($)	4,777	4,125	2,901
Feed Cost/HL Milk Sold	($)	13.24	13.26	14.20
Equity in Business	(%)	35.6	40.7	36.0
Return on Equity	(%)	8.0	13.1	9.7
Return on Invested Capital	(%)	6.9	10.0	8.7
Net Income / Gross Income	(%)	10.9	13.9	11.0

Section J

Summary

The 1985 Nova Scotia Dairy Farm Business Summary provides basic information and statistics on the costs and returns associated with the dairy enterprise on Nova Scotia farms. While not based on a stastically sound random sample of dairy farms, the summary can be used with care to assist in the analysis of the dairy enterprise by providing group average data for comparison purposes.

Table J-1 provides a breif summary of a number of cost and profit ratios and management factors that are often used when analyzing a farm business. These ratios and management factors provide useful information about the financial and production strength of the farm business. In addition, weaknesses in the farm business can be pinpointed through an analysis of these ratios and management factors.

In reviewing these ratios and management factors, the following points are worthy of comment:

- A total of 142 farms were included in the summary.

- Capital Turnover Ratio is 1.48 years.

- Equity in the farm business varied widely from farm to farm, but averaged 38.4 percent for all farms.

- Return on Equity averaged 8.5 percent with significant variation among farms.

- Net Income to Gross Income varied widely, but averaged 12.53 percent.

- Production per cow averaged 5,640 litres of milk sold.

A review of the previous sections showed that only the 100+ Cow Group received a return to all factors of production. When farms were reclassified by various criteria (Net Farm Income, Production and Investment per cow), the High Net Income per Cow and the High Production per Cow groups also received a return greater than all costs.

In compiling the data for this summary, extreme variation among farms was noted. The variation occurred in most factors, including returns, costs and management factors. Below, we list a number of examples of the variation observed.

- Net Farm Income had a range of $2,045. per cow between the highest and lowest net incomes on a per cow basis.

- Investment per cow had a range of $12,202. between the highest and lowest investments on a per cow basis.

- Production per cow varied 5,370 litres per cow between the highest and lowest production on a per cow basis.

With such wide variation in many of the costs, returns and management factors, it is difficult to isolate specific characteristics that result in a profitable dairy unit. It would appear, however, that a number of the key factors of production, such as Production per Cow, Efficient Use of Capital, Efficient Use of Labour and Cost Control are of significant importance in determining the success of the farm unit.

Those farm operators who successfully combine these factors of production in the management and operation of their business achieved a reasonable return to their Capital and Management.

TABLE J-1
COST AND PROFIT RATIOS

ITEM		20-39 COWS	40-59 COWS	60-99 COWS	100+ COWS	ALL FARMS
Number of Farms		35	43	45	19	142
Number of Cows per Farm		33	50	724	138	64
COST RATIOS:						
Variable Cost as % of Total Cost		63	65	67	70	67
Fixed Cost as % of Total Cost		22	20	20	18	20
Opportunity Cost as % of Total Cost		15	15	12	12	13
EARNING AND SOLVENCY RATIOS:						
Capital Turnover	(Yrs)	1.84	1.59	1.53	1.125	1.48
Farm Equity	(%)	32.9	39.6	36.3	42.3	38.4
Return on Equity	(%)	-0-	3.22	7.86	16.8	8.54
Current Ratio	(%)	6.19	5.19	4.38	4.08	5.01
Net Capital Ratio	($)	1.49	1.66	1.57	1.73	1.62
Debt to Equity Ratio	($)	2.04	1.52	1.76	1.36	1.60
Net Income/Gross Income	(%)	7.13	11.00	11.26	15.23	12.53
MANAGEMENT FACTORS:						
Cows/Man Equivalent	(#)	20	21	22	28	23
Milk Sold/Cow	(L)	5541	5500	5802	5373	5640
Milk Sold/Man Equivalent	(L)	108192	118215	125456	149723	127425
Purchased Feed/Cow	($)	727	793	723	731	760
Purchased Feed/Cow	(Kgs)	2703	2906	2590	2980	2861
Feed as % of Milk Sold	(%)	26.3	28.6	25.6	27.3	27.1
Feed as % of Total Costs	(%)	23.9	26.9	24.2	27.3	26.1
Feed/HL Milk Sold	(Kgs)	48.79	52.85	44.64	55.45	50.73
Feed Cost/HL Milk Sold	($)	13.11	14.42	12.46	13.60	13.48

Appendix

The Tables in the Appendix outline Per Farm, Per Cow, Per Hectolitre, Per Hundredweight and Percentage figures for all farms combined in the summary.

The Appendix also provides a Glossary of Terms used throughout the Summary. A breif definition of explanation of each term is also provided.

RECEIPTS AND EXPENSES SUMMARY

ITEM	PER FARM	PER COW
RECEIPTS:		
Fluid Milk	$ 131,348	$ 2,045
Industrial Milk	42,649	664
Milk Subsidies	6,503	101
Livestock Sales	15,266	238
Crop Sales	2,935	46
Miscellaneous Sales	12,028	187
TOTAL CASH RECEIPTS	$ 210,728	$ 3,281
Adj.for Inventory Change	$ 2,903	$ 45
TOTAL FARM RECEIPTS	$ 213,632	$ 3,326
EXPENSES:		
Milk Hauling	$ 6,069	$ 94
Dairy Feed	48,840	760
Livestock Purchases	4,858	76
Vet and Drugs	2,136	33
Breeding	2,432	38
Dairy Supplies	4,187	65
Milk Marketing	10,049	156
Crop Expenses	11,428	178
Bldg.-Fence Repair	4,034	63
Utilities	5,506	86
Tract-Mach.Repair	12,541	195
Truck and Auto Exp	3,276	51
Interest	17,059	266
Hired Labor	17,648	275
Taxes	1,231	19
Insurance	2,672	42
Miscellaneous	11,509	179
TOTAL CASH EXPENSES	$ 165,476	$ 2,576
Bldg.Deprec.	$ 5,407	$ 84
Mach.Deprec.	$ 15,986	$ 249
TOTAL DEPRECIATION	$ 21,393	$ 333
TOTAL FARM EXP.	$ 186,869	$ 2,909
NET FARM INCOME	$ 26,762	$ 417

RECEIPTS AND EXPENSES SUMMARY

PER 100 LITRES	PER CWT	PERCENTAGE
$ 36.26	$ 15.97	61.5
11.77	5.19	20.0
1.80	.79	3.0
4.21	1.86	7.1
.81	.36	1.4
3.32	1.46	5.6
$ 58.17	$ 25.63	98.6
$ .80	$ .35	1.4
$ 58.97	$ 25.98	100.0
$ 1.68	$ .74	3.2
13.48	5.94	26.1
1.34	.59	2.6
.59	.26	1.1
.67	.30	1.3
1.16	.51	2.2
2.77	1.22	5.4
3.15	1.39	6.1
1.11	.49	2.2
1.52	.67	2.9
3.46	1.53	6.7
.90	.40	1.8
4.71	2.07	9.1
4.87	2.15	9.4
.34	.15	.7
.74	.32	1.4
3.18	1.40	6.2
$ 45.68	$ 20.12	88.6
$ 1.49	$ .66	2.9
$ 4.41	$ 1.94	8.6
$ 5.91	$ 2.60	11.4
$ 51.59	$ 22.72	100.0
$ 7.39	$ 3.25	.0

GLOSSARY OF TERMS

ASSETS - All items of value owned by the farm business.

CAPITAL TURNOVER - The length of time, measured in years, that is required to generate sufficient income to equal total capital invested in the farm business. The ratio is Total Capital Invested divided by Total or Gross Farm Income.

CASH EXPENSES - The sum of all cash expenses expended by the farm business during the year. This includes such items as feed, livestock purchased, hired labour, interest and marketing costs.

DEPRECIATION - This is an amount which represents the loss in value of an asset over a certain period of time due to the number of years of remaining life, the amount of use and obsolescence. In this summary, tax depreciation rates are used.

EQUITY - This is the difference between the value of the assets and liabilities and represents the value of assets that would remain if all debts were paid off. Further it represents the capital contribution to the business by the owner.

FARM RECEIPTS - The sum of all cash receipts received by the business during the year. This includes such items as fluid milk sales, livestock sales and miscellaneous sales.

INTERMEDIATE TERM LIABILITIES - This is debt owed by the business to others with a usual term of from 1 to 10 years.

INVENTORY ADJUSTMENT - This represents an increase or decrease in the value of inventory (livestock, crops, supplies) held by the farm to earn income.

LABOUR AND MANAGEMENT INCOME - This term represents Net Farm Income with an Adjustment made for unpaid family labour and interest on equity. It represents a return to the operator for his labour and management skills after all other costs have been deducted.

LIABILITIES - Debts owed by the business to others.

LONG TERM LIABILITIES - Debts of greater term than 10 years.

MAN EQUIVALENTS - Total number of months of labour including operator, hired and unpaid family labour divided by 12 to reduce the total labour force to the equivalent of the number of men employed on a yearly basis. Further this figure is adjusted against a charge on a per worker basis. The 1984 per worker charge was increased by (4) percent for 1985.

NET FARM INCOME - Total Farm Income minus Total Farm Expenses. This represents the return to the farm, the operator and family for labour, management and capital.

RETURN TO EQUITY - This represents the return to the owners capital after adjustments have been made for operator labour. The calculation is:

(Net Farm Income - Operator Labour)*100 Divided by the Equity

RETURN TO INVESTED (TOTAL) CAPITAL - This represents the rate of return achieved by the total capital invested in the farm business. The calculation is: (Net Farm Income + Interest Paid - Operator and Family Labour)*100 divided by Total Capital Investment (Total Assets)

SHORT TERM LIABILITIES - Debts owed by the business that have a term of less than one (1) year. Short term may also be called Current.